

**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 August 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 _____

Broadcom Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

001-38449
(Commission file Number)

35-2617337
(I.R.S. Employer Identification No.)

**1320 Ridder Park Drive
San Jose, CA 95131-2313
(408) 433-8000**

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

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 every Interactive Data File required to be submitted 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 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 Accelerated filer Non-accelerated filer Smaller reporting company Emerging growth company

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

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, \$0.001 par value	AVGO	The Nasdaq Global Select Market

As of August 30, 2019, there were 396,670,773 shares of our common stock, \$0.001 par value per share, outstanding.

BROADCOM INC.
Quarterly Report on Form 10-Q
For the Quarterly Period Ended August 4, 2019

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PART I — FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements — Unaudited

BROADCOM INC.

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BROADCOM INC.
CONDENSED CONSOLIDATED BALANCE SHEETS — UNAUDITED

	August 4, 2019	November 4, 2018
(In millions, except par value)		
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 5,462	\$ 4,292
Trade accounts receivable, net	3,539	3,325
Inventory	1,091	1,124
Other current assets	806	366
Total current assets	10,898	9,107
Long-term assets:		
Property, plant and equipment, net	2,611	2,635
Goodwill	36,686	26,913
Intangible assets, net	18,879	10,762
Other long-term assets	693	707
Total assets	\$ 69,767	\$ 50,124
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 996	\$ 811
Employee compensation and benefits	575	715
Current portion of long-term debt	3,537	—
Other current liabilities	3,174	812
Total current liabilities	8,282	2,338
Long-term liabilities:		
Long-term debt	34,028	17,493
Other long-term liabilities	5,954	3,636
Total liabilities	48,264	23,467
Commitments and contingencies (Note 11)		
Stockholders' equity:		
Preferred stock, \$0.001 par value; 100 shares authorized; no shares issued or outstanding as of August 4, 2019 or November 4, 2018	—	—
Common stock and additional paid-in capital, \$0.001 par value; 2,900 shares authorized; 398 and 408 shares issued and outstanding as of August 4, 2019 and November 4, 2018, respectively	21,619	23,285
Retained earnings	—	3,487
Accumulated other comprehensive loss	(116)	(115)
Total stockholders' equity	21,503	26,657
Total liabilities and stockholders' equity	\$ 69,767	\$ 50,124

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

BROADCOM INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS — UNAUDITED

	Fiscal Quarter Ended		Three Fiscal Quarters Ended	
	August 4, 2019	August 5, 2018	August 4, 2019	August 5, 2018
(In millions, except per share data)				
Net revenue:				
Products	\$ 4,413	\$ 4,783	\$ 13,470	\$ 14,640
Subscriptions and services	1,102	280	3,351	764
Total net revenue	<u>5,515</u>	<u>5,063</u>	<u>16,821</u>	<u>15,404</u>
Cost of revenue:				
Cost of products sold	1,519	1,656	4,530	5,204
Cost of subscriptions and services	132	24	405	71
Purchase accounting effect on inventory	—	—	—	70
Amortization of acquisition-related intangible assets	828	762	2,487	2,242
Restructuring charges	2	2	68	19
Total cost of revenue	<u>2,481</u>	<u>2,444</u>	<u>7,490</u>	<u>7,606</u>
Gross margin	3,034	2,619	9,331	7,798
Research and development	1,235	959	3,519	2,820
Selling, general and administrative	410	234	1,300	819
Amortization of acquisition-related intangible assets	475	68	1,424	474
Restructuring, impairment and disposal charges	49	19	698	202
Total operating expenses	<u>2,169</u>	<u>1,280</u>	<u>6,941</u>	<u>4,315</u>
Operating income	865	1,339	2,390	3,483
Interest expense	(362)	(149)	(1,083)	(480)
Other income, net	41	39	172	120
Income from continuing operations before income taxes	544	1,229	1,479	3,123
Provision for (benefit from) income taxes	(171)	32	(410)	(8,391)
Income from continuing operations	715	1,197	1,889	11,514
Loss from discontinued operations, net of income taxes	—	(1)	(12)	(19)
Net income	715	1,196	1,877	11,495
Net income attributable to noncontrolling interest	—	—	—	351
Net income attributable to common stock	<u>\$ 715</u>	<u>\$ 1,196</u>	<u>\$ 1,877</u>	<u>\$ 11,144</u>
Basic income (loss) per share:				
Income per share from continuing operations	\$ 1.80	\$ 2.78	\$ 4.73	\$ 26.58
Loss per share from discontinued operations	—	—	(0.03)	(0.05)
Net income per share	<u>\$ 1.80</u>	<u>\$ 2.78</u>	<u>\$ 4.70</u>	<u>\$ 26.53</u>
Diluted income (loss) per share:				
Income per share from continuing operations	\$ 1.71	\$ 2.71	\$ 4.50	\$ 25.78
Loss per share from discontinued operations	—	—	(0.03)	(0.04)
Net income per share	<u>\$ 1.71</u>	<u>\$ 2.71</u>	<u>\$ 4.47</u>	<u>\$ 25.74</u>
Weighted-average shares:				
Basic	398	430	399	420
Diluted	418	441	420	433

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

BROADCOM INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME — UNAUDITED

	Fiscal Quarter Ended		Three Fiscal Quarters Ended	
	August 4, 2019	August 5, 2018	August 4, 2019	August 5, 2018
	(In millions)			
Net income	\$ 715	\$ 1,196	\$ 1,877	\$ 11,495
Other comprehensive income, net of tax:				
Change in actuarial loss and prior service costs associated with defined benefit pension plans and post-retirement benefit plans	—	—	—	1
Other comprehensive income	—	—	—	1
Comprehensive income	715	1,196	1,877	11,496
Comprehensive income attributable to noncontrolling interest	—	—	—	351
Comprehensive income attributable to common stock	<u>\$ 715</u>	<u>\$ 1,196</u>	<u>\$ 1,877</u>	<u>\$ 11,145</u>

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

BROADCOM INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS — UNAUDITED

	Three Fiscal Quarters Ended	
	August 4, 2019	August 5, 2018
(In millions)		
Cash flows from operating activities:		
Net income	\$ 1,877	\$ 11,495
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of intangible assets	3,930	2,730
Depreciation	426	383
Stock-based compensation	1,641	910
Deferred taxes and other non-cash taxes	(708)	(8,512)
Non-cash restructuring, impairment and disposal charges	113	13
Non-cash interest expense	50	18
Other	(81)	22
Changes in assets and liabilities, net of acquisitions and disposals:		
Trade accounts receivable, net	201	(340)
Inventory	33	325
Accounts payable	105	(353)
Employee compensation and benefits	(360)	(87)
Contributions to defined benefit pension plans	—	(130)
Other current assets and current liabilities	115	206
Other long-term assets and long-term liabilities	(124)	(435)
Net cash provided by operating activities	<u>7,218</u>	<u>6,245</u>
Cash flows from investing activities:		
Acquisitions of businesses, net of cash acquired	(16,033)	(4,793)
Proceeds from sales of businesses	957	782
Purchases of property, plant and equipment	(336)	(529)
Proceeds from disposals of property, plant and equipment	82	238
Purchases of investments	(5)	(249)
Proceeds from sales of investments	5	54
Other	(4)	(59)
Net cash used in investing activities	<u>(15,334)</u>	<u>(4,556)</u>
Cash flows from financing activities:		
Proceeds from long-term borrowings	28,793	—
Repayment of debt	(12,000)	(856)
Payment of debt issuance costs	(46)	—
Other borrowings	1,345	—
Dividend and distribution payments	(3,181)	(2,275)
Repurchases of common stock - repurchase program	(5,002)	(5,725)
Shares repurchased for tax withholdings on vesting of equity awards	(818)	(35)
Issuance of common stock	194	153
Other	1	(19)
Net cash provided by (used in) financing activities	<u>9,286</u>	<u>(8,757)</u>
Net change in cash and cash equivalents	1,170	(7,068)
Cash and cash equivalents at beginning of period	4,292	11,204
Cash and cash equivalents at end of period	<u>\$ 5,462</u>	<u>\$ 4,136</u>

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

BROADCOM INC.
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY — UNAUDITED
Three Fiscal Quarters Ended August 4, 2019

	Common Stock and Additional Paid-in Capital		Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
	Shares	Amount			
	(In millions)				
Balance as of November 4, 2018	408	\$23,285	\$ 3,487	\$ (115)	\$ 26,657
Net income	—	—	471	—	471
Cumulative effect of accounting changes	—	—	8	(1)	7
Fair value of partially vested equity awards assumed in connection with the acquisition of CA, Inc.	—	67	—	—	67
Cash dividends declared and paid to stockholders	—	—	(1,067)	—	(1,067)
Common stock issued	2	62	—	—	62
Stock-based compensation	—	540	—	—	540
Repurchases of common stock	(14)	(796)	(2,640)	—	(3,436)
Shares repurchased for tax withholdings on vesting of equity awards	—	(77)	—	—	(77)
Balance as of February 3, 2019	396	23,081	259	(116)	23,224
Net income	—	—	691	—	691
Cash dividends declared and paid to stockholders	—	(331)	(726)	—	(1,057)
Common stock issued	8	121	—	—	121
Stock-based compensation	—	544	—	—	544
Repurchases of common stock	(3)	(606)	(224)	—	(830)
Shares repurchased for tax withholdings on vesting of equity awards	(2)	(521)	—	—	(521)
Balance as of May 5, 2019	399	22,288	—	(116)	22,172
Net income	—	—	715	—	715
Cash dividends declared and paid to stockholders	—	(342)	(715)	—	(1,057)
Common stock issued	2	11	—	—	11
Stock-based compensation	—	632	—	—	632
Repurchases of common stock	(2)	(736)	—	—	(736)
Shares repurchased for tax withholdings on vesting of equity awards	(1)	(234)	—	—	(234)
Balance as of August 4, 2019	398	\$21,619	\$ —	\$ (116)	\$ 21,503

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

BROADCOM INC.
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY — UNAUDITED
Three Fiscal Quarters Ended August 5, 2018

	Preferred Stock		Common Stock and Additional Paid-in Capital		Retained Earnings/(Accumulated Deficit)	Accumulated Other Comprehensive Loss	Total Broadcom Inc. Stockholders' Equity	Noncontrolling Interest	Total Equity
	Shares	Amount	Shares	Amount					
(In millions)									
Balance as of October 29, 2017	22	\$ —	409	\$20,505	\$ (129)	\$ (91)	\$ 20,285	\$ 2,901	\$23,186
Net income	—	—	—	—	6,230	—	6,230	336	6,566
Other comprehensive income	—	—	—	—	—	9	9	—	9
Cumulative effect of accounting changes	—	—	—	—	(252)	—	(252)	(14)	(266)
Fair value of partially vested equity awards assumed in connection with the acquisition of Brocade Communications Systems, Inc.	—	—	—	8	—	—	8	—	8
Cash dividends declared and paid to stockholders	—	—	—	—	(717)	—	(717)	—	(717)
Cash distribution declared and paid by Broadcom Cayman L.P. on exchangeable limited partnership units	—	—	—	—	—	—	—	(38)	(38)
Exchange of exchangeable limited partnership units for common stock	—	—	—	5	—	—	5	(5)	—
Common stock issued	—	—	1	34	—	—	34	—	34
Stock-based compensation	—	—	—	299	—	—	299	—	299
Balance as of February 4, 2018	22	—	410	20,851	5,132	(82)	25,901	3,180	29,081
Net income	—	—	—	—	3,718	—	3,718	15	3,733
Other comprehensive loss	—	—	—	—	—	(8)	(8)	—	(8)
Cumulative effect of accounting changes	—	—	—	—	15	(16)	(1)	1	—
Cash dividends declared and paid to stockholders	—	—	—	—	(727)	—	(727)	—	(727)
Cash distribution declared and paid by Broadcom Cayman L.P. on exchangeable limited partnership units	—	—	—	—	—	—	—	(39)	(39)
Exchange of exchangeable limited partnership units for common stock and redemption of preferred stock due to the Redomiciliation Transaction	(22)	—	22	3,157	—	—	3,157	(3,157)	—
Common stock issued	—	—	6	80	—	—	80	—	80
Stock-based compensation	—	—	—	296	—	—	296	—	296
Repurchases of common stock	—	—	(2)	(77)	(270)	—	(347)	—	(347)

Shares repurchased for tax withholdings on vesting of equity awards	—	—	—	(2)	—	—	(2)	—	(2)
Balance as of May 6, 2018	—	—	436	24,305	7,868	(106)	32,067	—	32,067

BROADCOM INC.
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY — UNAUDITED — Continued

	Preferred Stock		Common Stock and Additional Paid-in Capital		Retained Earnings/(Accumulated Deficit)	Accumulated Other Comprehensive Loss	Total Broadcom Inc. Stockholders' Equity	Noncontrolling Interest	Total Equity
	Shares	Amount	Shares	Amount					
(In millions)									
Net income	—	—	—	—	1,196	—	1,196	—	1,196
Cash dividends declared and paid to stockholders	—	—	—	—	(754)	—	(754)	—	(754)
Common stock issued	—	—	1	39	—	—	39	—	39
Stock-based compensation	—	—	—	315	—	—	315	—	315
Repurchases of common stock	—	—	(24)	(1,335)	(4,043)	—	(5,378)	—	(5,378)
Shares repurchased for tax withholdings on vesting of equity awards	—	—	—	(33)	—	—	(33)	—	(33)
Balance as of August 5, 2018	<u>—</u>	<u>\$ —</u>	<u>413</u>	<u>\$23,291</u>	<u>\$ 4,267</u>	<u>\$ (106)</u>	<u>\$ 27,452</u>	<u>\$ —</u>	<u>\$27,452</u>

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

BROADCOM INC.**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****1. Overview, Basis of Presentation and Significant Accounting Policies****Overview**

Broadcom Inc. ("Broadcom"), a Delaware corporation, is the successor to Broadcom Pte. Ltd. (formerly Broadcom Limited), a Singapore company ("Broadcom-Singapore"). On April 4, 2018, all Broadcom-Singapore outstanding ordinary shares were exchanged for newly issued shares of Broadcom common stock (the "Redomiciliation Transaction"). As a result, Broadcom-Singapore became a wholly-owned subsidiary of Broadcom. In addition, all outstanding exchangeable limited partnership units ("LP Units") of Broadcom Cayman L.P. (the "Partnership") were mandatorily exchanged (the "Mandatory Exchange") for newly issued shares of Broadcom common stock and all limited partners of the Partnership became common stockholders of Broadcom eliminating their noncontrolling interest. Also, all related outstanding special preference shares of Broadcom-Singapore were automatically redeemed upon the Mandatory Exchange. We deregistered the Partnership and liquidated Broadcom-Singapore.

The Redomiciliation Transaction was accounted for as an exchange of equity interests among entities under common control and the historical basis of accounting was retained as if the entities had always been combined for financial reporting purposes.

The financial statements relate to Broadcom-Singapore for periods prior to April 4, 2018, the effective date of the Redomiciliation Transaction, and relate to Broadcom for periods after April 4, 2018. Unless stated otherwise or the context otherwise requires, references to "Broadcom," "we," "our" and "us" mean Broadcom and its consolidated subsidiaries from and after the effective time of the Redomiciliation Transaction and, prior to that time, to our predecessor, Broadcom-Singapore.

We are a global technology leader that designs, develops and supplies a broad range of semiconductor and infrastructure software solutions. We develop semiconductor devices with a focus on complex digital and mixed signal complementary metal oxide semiconductor based devices and analog III-V based products. We have a history of innovation and offer thousands of products that are used in end products such as enterprise and data center networking, home connectivity, set-top boxes, broadband access, telecommunication equipment, smartphones and base stations, data center servers and storage systems, factory automation, power generation and alternative energy systems, and electronic displays. Our infrastructure software solutions enable customers to plan, develop, automate, manage and secure applications across mobile, cloud, distributed and mainframe platforms.

On November 5, 2018, we acquired CA, Inc. ("CA") for \$16.1 billion, net of cash acquired (the "CA Merger"). CA was a leading provider of information technology management software and solutions. The results of operations of CA are included in the unaudited condensed consolidated financial statements commencing as of November 5, 2018 (the "CA Acquisition Date"). See Note 3. "Acquisitions" for additional information.

Subsequent to the CA Merger, we changed our organizational structure, resulting in three reportable segments: semiconductor solutions, infrastructure software and intellectual property ("IP") licensing. Prior period segment results have been recast to conform to the current presentation. See Note 10. "Segment Information" for additional information.

Basis of Presentation

We operate on a 52- or 53-week fiscal year ending on the Sunday closest to October 31 in a 52-week year and the first Sunday in November in a 53-week year. Our fiscal year ending November 3, 2019 ("fiscal year 2019") is a 52-week fiscal year. The first quarter of our fiscal year 2019 ended on February 3, 2019, the second quarter ended on May 5, 2019 and the third quarter ended on August 4, 2019. Our fiscal year ended November 4, 2018 ("fiscal year 2018") was a 53-week fiscal year, with the first fiscal quarter containing 14 weeks.

The accompanying condensed consolidated financial statements include the accounts of Broadcom and our subsidiaries, and have been prepared in accordance with generally accepted accounting principles in the United States ("GAAP") for interim financial information. The financial information included herein is unaudited, and reflects all adjustments which are, in the opinion of our management, of a normal recurring nature and necessary for a fair statement of the results for the periods presented. The November 4, 2018 condensed consolidated balance sheet data were derived from Broadcom's audited consolidated financial statements included in its Annual Report on Form 10-K for fiscal year 2018 as filed with the Securities and Exchange Commission ("SEC"). All intercompany transactions and balances have been eliminated in consolidation. The operating results for the fiscal quarter and three fiscal quarters ended August 4, 2019 are not necessarily indicative of the results that may be expected for fiscal year 2019, or for any other future period.

Significant Accounting Policies

Use of estimates. The preparation of condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and such differences could affect the results of operations reported in future periods.

Reclassifications. Certain reclassifications have been made to the prior period condensed consolidated statements of operations and condensed consolidated statement of cash flows to conform to current period presentation. These reclassifications had no impact on previously reported net income or net cash activities.

Recently Adopted Accounting Guidance

In the first quarter of fiscal year 2019, we adopted the Financial Accounting Standards Board (“FASB”) guidance issued in March 2017 that requires an employer to present the service cost component of net periodic benefit cost in the same income statement line item as other employee compensation costs arising from services rendered during the period. Other components of the net periodic benefit cost are presented separately from the service cost component. We adopted the guidance using a permitted practical expedient that uses the amounts disclosed in the pension and other post-retirement benefit plans note for the prior comparative periods as the estimation basis for applying the retrospective presentation requirements. The adoption did not have a material impact on the condensed consolidated statements of operations presented herein.

In the first quarter of fiscal year 2019, we adopted the FASB guidance issued in January 2016 that changes the accounting for equity investments, financial liabilities under the fair value option, and the presentation and disclosure requirements for financial instruments. This guidance requires the remeasurement of equity investments not accounted for under the equity method to be measured at fair value and any changes in fair value recognized in net income. The guidance allows for election of a measurement alternative for equity securities without readily determinable fair values to be measured at cost less impairment, adjusted for observable price changes. We adopted this guidance using the modified retrospective method for our marketable equity securities and a prospective approach for non-marketable equity securities using the measurement alternative. Upon adoption, we recognized an \$8 million increase to retained earnings and a \$1 million increase to accumulated other comprehensive loss. During the fiscal quarter and three fiscal quarters ended August 4, 2019, we also recognized \$28 million and \$95 million, respectively, of unrealized gains on equity securities within other income, net in our condensed consolidated statements of operations.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (“Topic 606”). We adopted Topic 606 effective November 5, 2018 using the modified retrospective method. Reporting periods prior to the adoption of the new revenue standard are presented in accordance with Accounting Standards Codification 605, Revenue Recognition (“Topic 605”), while reporting periods after adoption are presented in accordance with the new revenue standard. The cumulative effect adjustment as of November 5, 2018 to retained earnings was not significant. See Note 2. “Revenue from Contracts with Customers” for further information related to adoption of the new revenue standard, including our updated revenue accounting policies and accounting policies for costs to obtain and fulfill a contract with a customer. Refer to our Annual Report on Form 10-K for our accounting policies in accordance with Topic 605.

Recent Accounting Guidance Not Yet Adopted

In February 2016, the FASB issued guidance related to the accounting for leases, which principally requires a lessee to recognize lease assets and lease liabilities on the balance sheet for operating leases. This guidance will be effective for the first quarter of our fiscal year 2020. We will adopt this guidance using the optional transition method and will not restate comparative prior periods. We are finalizing the implementation of related systems, policies, processes and internal controls to comply with this guidance. Based on our lease portfolio as of August 4, 2019, we expect the adoption of the new leasing guidance to result in recognition of right-of-use assets and corresponding liabilities on our condensed consolidated balance sheet within a range of \$500 million to \$600 million, primarily related to real estate. However, the actual impact will depend on our lease portfolio as of the adoption date.

2. Revenue from Contracts with Customers

We account for a contract with a customer when both parties have approved the contract and are committed to perform their respective obligations, each party’s rights can be identified, payment terms can be identified, the contract has commercial substance, and it is probable we will collect substantially all of the consideration we are entitled to. Revenue is recognized when, or as, performance obligations are satisfied by transferring control of a promised product or service to a customer.

Nature of Products and Services

Our products and services can be broadly categorized as sales of products and subscriptions and services. The following is a description of the principal activities from which we generate revenue.

Products. Under Topic 606, we recognize revenue from sales to direct customers and distributors when control transfers to the customer. Rebates and incentives offered to distributors, which are earned when sales to end customers are completed, are estimated at the point of revenue recognition. We have elected to exclude from the transaction price any taxes collected from a customer and to account for shipping and handling activities performed after a customer obtains control of the product as activities to fulfill the promise to transfer the product.

Subscriptions and services. Our subscriptions and services revenue consists of sales and royalties from software arrangements, support services, professional services, transfer of IP, and non-recurring engineering (“NRE”) arrangements.

Revenue from software arrangements primarily consists of fees, which may be paid either at contract inception or in installments over the contract term, that provide customers with a right to use the software, access general support and maintenance, and utilize our professional services.

Our software licenses have standalone functionality from which customers derive benefit, and the customer obtains control of the software when it is delivered or made available for download. We believe that for the majority of software arrangements, customers derive significant benefit from the ongoing support we provide. Our CA-related subscriptions and services arrangements permit our customers to unilaterally terminate or cancel these arrangements at any time at the customer’s convenience, referred to as termination for convenience provisions, without substantive termination penalty and receive a pro-rata refund of any prepaid fees. Accordingly, we account for arrangements with these termination for convenience provisions as a series of daily contracts, resulting in a ratable revenue recognition of software revenue over the contractual period.

Support services consist primarily of telephone support and the provision of unspecified updates and upgrades on a when-and-if-available basis. Support services represent stand-ready obligations for which revenue is recognized ratably over the term of the arrangement.

Professional services consist of implementation, consulting, customer education and customer training services. The obligation to provide professional services is generally satisfied over time, with the customer simultaneously receiving and consuming the benefits as we satisfy our performance obligations.

Rights to our IP are either sold or licensed to a customer. IP revenue recognition is dependent on the nature and terms of each agreement. We recognize IP revenue upon delivery of the IP if there are no substantive future obligations to perform under the arrangement. Sales-based or usage-based royalties from the license of IP are recognized at the later of the period the sales or usages occur or the satisfaction of the performance obligation to which some or all of the sales-based or usage-based royalties have been allocated.

There are two main categories of NRE contracts which we enter into with our customers: (a) NRE contracts in which we develop a custom chip and (b) NRE contracts in which we accelerate our development of a new chip upon the customer’s request. The majority of our NRE contract revenues meet the over time criteria under Topic 606. As such, revenue is recognized over the development period with the measure of progress using the input method based on costs incurred to total cost (“cost-to-cost”) as the services are provided. For NRE contracts that do not meet the over time criteria under Topic 606, revenue is recognized at a point in time when the NRE services are complete.

Material rights. Contracts with customers may also include material rights that are also performance obligations. These include the right to renew or receive products or services at a discounted price in the future. Revenue allocated to material rights is recognized when the customer exercises the right or the right expires.

Arrangements with Multiple Performance Obligations

Our contracts may contain more than one of the products and services listed above, each of which is separately accounted for as a distinct performance obligation.

Allocation of consideration. We allocate total contract consideration to each distinct performance obligation in a bundled arrangement on a relative standalone selling price basis. The standalone selling price reflects the price we would charge for a specific product or service if it were sold separately in similar circumstances and to similar customers.

Standalone selling price. When available, we use directly observable transactions to determine the standalone selling prices for performance obligations. Our estimates of standalone selling price for each performance obligation require judgment that considers multiple factors, including, but not limited to, historical discounting trends for products and services and pricing practices through different sales channels, gross margin objectives, internal costs, competitor pricing strategies, technology lifecycles and market conditions.

We separately determine the standalone selling prices by product or service type. Additionally, we segment the standalone selling prices for products where the pricing strategies differ, and where there are differences in customers and circumstances that warrant segmentation.

We also estimate the standalone selling price of our material rights. Lastly, we estimate the value of the customer's option to purchase or receive additional products or services at a discounted price by estimating the incremental discount the customer would obtain when exercising the option and the likelihood that the option would be exercised.

Other Policies and Judgments

Contract modifications. We may modify contracts to offer customers additional products or services. Each of the additional products and services are generally considered distinct from those products or services transferred to the customer before the modification. We evaluate whether the contract price for the additional products and services reflects the standalone selling price as adjusted for facts and circumstances applicable to that contract. In these cases, we account for the additional products or services as a separate contract. In other cases where the pricing in the modification does not reflect the standalone selling price as adjusted for facts and circumstances applicable to that contract, we account for the additional products or services as part of the existing contract on a prospective basis, on a cumulative catch-up basis, or on a combination of both based on the nature of modification. In instances where the pricing in the modification offers the customer a credit for a prior arrangement, we adjust our variable consideration reserves for returns and other concessions.

Right of return. Certain contracts contain a right of return that allows the customer to cancel all or a portion of the product or service and receive a credit. We estimate returns based on historical returns data which is constrained to an amount for which a material revenue reversal is not probable. We do not recognize revenue for products or services that are expected to be returned.

Transition practical expedient elected. We do not disclose the value of unsatisfied performance obligations for (i) contracts with an original expected length of one year or less and (ii) contracts for which we recognize revenue at the amount to which we have the right to invoice for services performed. For contracts that were modified before the beginning of the earliest reporting period presented, we have not retrospectively restated the contract for those modifications in accordance with Topic 606. We have disclosed the aggregate effect of all modifications when identifying the satisfied and unsatisfied performance obligations for purposes of determining the transaction price and allocating the transaction price at transition.

Disaggregation

We have considered (1) information that is regularly reviewed by our Chief Executive Officer, who has been identified as the Chief Operating Decision Maker (the "CODM") as defined by the authoritative guidance on segment reporting, in evaluating financial performance and (2) disclosures presented outside of our financial statements in our earnings releases and used in investor presentations to disaggregate revenues. The principal category we use to disaggregate revenues is the nature of our products and subscriptions and services, as presented in our condensed consolidated statements of operations. In addition, revenues by reportable segment are presented in Note 10. "Segment Information".

The following tables present revenue disaggregated by type of revenue and by region for the periods presented:

	Fiscal Quarter Ended August 4, 2019			
	Americas	Asia Pacific	Europe, the Middle East and Africa	Total
	(In millions)			
Products	\$ 506	\$ 3,582	\$ 325	\$ 4,413
Subscriptions and services (a)	711	124	267	1,102
Total	\$ 1,217	\$ 3,706	\$ 592	\$ 5,515

	Three Fiscal Quarters Ended August 4, 2019			
	Americas	Asia Pacific	Europe, the Middle East and Africa	Total
	(In millions)			
Products	\$ 1,731	\$ 10,674	\$ 1,065	\$ 13,470
Subscriptions and services (a)	2,276	339	736	3,351
Total	\$ 4,007	\$ 11,013	\$ 1,801	\$ 16,821

(a) Subscriptions and services predominantly includes software licenses with termination for convenience clauses.

Contract Balances

Contract assets and contract liabilities balances for the periods indicated below were as follows:

	<u>Contract Assets</u>		<u>Contract Liabilities</u>	
	(In millions)			
Opening balance November 5, 2018 (a)	\$	18	\$	272
Closing balance August 4, 2019	\$	229	\$	2,269

(a) We adopted Topic 606 immediately prior to the CA Merger. Accordingly, the opening balance does not include contract assets or contract liabilities associated with CA.

Changes in our contract assets and contract liabilities primarily result from the timing difference between our performance and the customer's payment. We fulfill our obligations under a contract with a customer by transferring products and services in exchange for consideration from the customer. We recognize a contract asset when we transfer products or services to a customer and the right to consideration is conditional on something other than the passage of time. Accounts receivable are recorded when the customer has been billed or the right to consideration is unconditional. We recognize contract liabilities when we have received consideration or an amount of consideration is due from the customer and we have a future obligation to transfer products or services. Contract liabilities include amounts billed or collected and advanced payments on contracts or arrangements which may include termination for convenience provisions. The amount of revenue recognized during the three fiscal quarters ended August 4, 2019 that was included in the contract liabilities balance as of November 5, 2018 was \$173 million.

Remaining Performance Obligations

Revenue allocated to remaining performance obligations represents the transaction price allocated to the performance obligations that are unsatisfied, or partially unsatisfied. It includes unearned revenue and amounts that will be invoiced and recognized as revenue in future periods and does not include CA contracts where the customer is not committed. The customer is not considered committed when termination for convenience without payment of a substantive penalty exists. This has been extended to all CA customers, either contractually or through customary business practice. Additionally, as a practical expedient, we have not included contracts that have an original duration of one year or less nor have we included contracts with sales-based and usage-based royalties promised in exchange for a license of intellectual property.

Because the substantial majority of our customer contracts allow our customers to terminate for convenience or have an original duration of one year or less, the total amount of the transaction price allocated to remaining performance obligations as of August 4, 2019 was not significant. Since our customers generally do not exercise their termination for convenience rights and the majority of the contracts we execute for products, as well as subscription and services, have a duration of one year or less, our remaining performance obligations are not indicative of revenue for future periods.

Contract Costs

We have applied the practical expedient to expense commission costs as incurred for costs to obtain a contract when the amortization period would have been one year or less. As a result, no commission costs are capitalized.

We recognize an asset for costs incurred to fulfill a contract that are not within the scope of other accounting literature. We have not incurred any such costs and, as a result, no costs to fulfill a contract have been capitalized.

Topic 606 Adoption

We applied Topic 606 using the modified retrospective method for all contracts not completed as of the date of adoption. For contracts that were modified before the effective date, we reflected the aggregate effect of all modifications when identifying the performance obligations and allocating the transaction price at transition, which did not have a material effect on the adjustment to retained earnings as of November 5, 2018.

We adopted Topic 606 immediately prior to the CA Merger. Accordingly, the adoption adjustments presented below excluded CA. As a result of applying the modified retrospective method, the following adjustments were made to selected condensed consolidated balance sheet line items as of November 5, 2018:

Balance Sheet	Ending Balance as of November 4, 2018	Adjustments Due to Topic 606	Opening Balance as of November 5, 2018
	(In millions)		
ASSETS			
Trade accounts receivable, net	\$ 3,325	\$ 11	\$ 3,336
Other current assets	\$ 366	\$ 10	\$ 376
Other long-term assets	\$ 707	\$ 20	\$ 727
LIABILITIES			
Other current liabilities	\$ 812	\$ 35	\$ 847
Other long-term liabilities	\$ 3,636	\$ 6	\$ 3,642

Impact of New Revenue Guidance on Net Revenue

The following tables compare net revenue for the periods presented to the pro forma amounts had the previous guidance been in effect. No other amounts in the condensed consolidated statements of operations for the fiscal quarter and three fiscal quarters ended August 4, 2019 or in the condensed consolidated balance sheet as of August 4, 2019 were significantly affected by the new revenue guidance.

Statement of Operations	Fiscal Quarter Ended August 4, 2019		
	Pro forma as if the previous accounting was in effect	Effect of Change	As Reported
	(In millions)		
Net revenue:			
Products	\$ 4,413	\$ —	\$ 4,413
Subscriptions and services	1,078	24	1,102
Total net revenue	\$ 5,491	\$ 24	\$ 5,515

Statement of Operations	Three Fiscal Quarters Ended August 4, 2019		
	Pro forma as if the previous accounting was in effect	Effect of Change	As Reported
	(In millions)		
Net revenue:			
Products	\$ 13,470	\$ —	\$ 13,470
Subscriptions and services	3,124	227	3,351
Total net revenue	\$ 16,594	\$ 227	\$ 16,821

3. Acquisitions

Acquisition of CA, Inc.

On November 5, 2018, we acquired CA, which was a leading provider of information technology management software and solutions. We acquired CA to enhance our infrastructure software capabilities. We financed the CA Merger with the net proceeds from borrowings under the Original 2019 Term Loans, as defined in Note 7. "Borrowings," as well as with cash on hand of the combined companies.

Purchase Consideration

	(In millions)
Cash paid for outstanding CA common stock	\$ 18,402
Cash paid by Broadcom to retire CA's term loan	274
Cash paid for vested CA equity awards	101
Fair value of partially vested assumed equity awards	67
Total purchase consideration	18,844
Less: cash acquired	2,750
Total purchase consideration, net of cash acquired	\$ 16,094

All vested in-the-money CA stock options, after giving effect to any acceleration, and all outstanding deferred stock units were cashed out upon the completion of the CA Merger. We assumed all unvested CA equity awards held by continuing employees. The portion of the fair value of partially vested equity awards associated with prior service of CA employees represents a component of the total consideration as presented above and was valued based on our share price as of the CA Acquisition Date.

We allocated the purchase price to tangible and identified intangible assets acquired and liabilities assumed based on their estimated fair values. The fair value of identified intangible assets acquired was based on estimates and assumptions made by management at the time of acquisition. As additional information becomes available, we may further revise our preliminary purchase price allocation during the remainder of the measurement period (which will not exceed 12 months from the CA Acquisition Date). Any such revisions or changes may be material.

The following table presents our preliminary allocation of the total purchase price, net of cash acquired:

	Estimated Fair Value
	(In millions)
Current assets	\$ 1,663
Goodwill	9,768
Intangible assets	12,045
Other long-term assets	245
Total assets acquired	23,721
Current liabilities	(1,966)
Long-term debt	(2,255)
Other long-term liabilities	(3,406)
Total liabilities assumed	(7,627)
Fair value of net assets acquired	\$ 16,094

Goodwill is primarily attributable to the assembled workforce and anticipated synergies and economies of scale expected from the integration of the CA business. The synergies include certain cost savings, operating efficiencies, and other strategic benefits projected to be achieved as a result of the CA Merger. Goodwill is not deductible for tax purposes.

Current assets included assets held-for-sale related to CA's Veracode business, which was not aligned with our strategic objectives. On December 31, 2018, we sold this business to Thoma Bravo, LLC for cash consideration of \$950 million, before working capital adjustments. We do not have any material continuing involvement with this business and have presented its results in discontinued operations. Current assets also included \$80 million of real properties held-for-sale. During the fiscal quarter ended August 4, 2019, we sold a portion of these real properties for \$56 million and recognized a loss of \$8 million.

Revenue attributable to CA has been included in our infrastructure software segment. Transaction costs related to the CA Merger of \$73 million were included in selling, general and administrative expense for the three fiscal quarters ended August 4, 2019.

Intangible Assets

	Fair Value	Weighted-Average Amortization Periods
	(In millions)	(In years)
Developed technology	\$ 4,957	6
Customer contracts and related relationships	4,190	6
Order backlog	2,569	3
Trade name and other	137	5
Total identified finite-lived intangible assets	11,853	
In-process research and development	192	N/A
Total identified intangible assets	\$ 12,045	

Developed technology relates to products used for mission critical business tools for processes and applications, as well as products used for cloud-based planning, development, management and security tools. We valued the developed technology using the multi-period excess earnings method under the income approach. This method reflects the present value of the projected cash flows that are expected to be generated by the developed technology less charges representing the contribution of other assets to those cash flows. The economic useful life was determined based on the technology cycle related to each developed technology, as well as the cash flows over the forecast period.

Customer contracts and related relationships represent the fair value of future projected revenue that will be derived from sales of products to existing customers of CA. Customer contracts and related relationships were valued using the with-and-without-method under the income approach. In the with-and-without method, the fair value was measured by the difference between the present values of the cash flows with and without the existing customers in place over the period of time necessary to reacquire the customers. The economic useful life was determined by evaluating many factors, including the useful life of other intangible assets, the length of time remaining on the acquired contracts and the historical customer turnover rates.

Order backlog represents business under existing contractual obligations. The fair value of backlog was determined using the multi-period excess earnings method under the income approach based on expected operating cash flows from future contractual revenue. The economic useful life was determined based on the expected life of the backlog and the cash flows over the forecast period.

Trade name relates to the "CA" trade name. The fair value was determined by applying the relief-from-royalty method under the income approach. This method is based on the application of a royalty rate to forecasted revenue under the trade name. The economic useful life was determined based on the expected life of the trade name and the cash flows anticipated over the forecast period.

The fair value of in-process research and development ("IPR&D") was determined using the multi-period excess earnings method under the income approach. This method reflects the present value of the projected cash flows that are expected to be generated by the IPR&D, less charges representing the contribution of other assets to those cash flows.

We believe the amounts of purchased intangible assets recorded above represent the fair values of, and approximate the amounts a market participant would pay for, these intangible assets as of the CA Acquisition Date.

The following table summarizes the details of IPR&D by category as of the CA Acquisition Date:

Description	IPR&D	Percentage of Completion	Estimated Cost to Complete	Expected Release Date (By Fiscal Year)
	(Dollars in millions)			
Mainframe	\$ 178	67%	\$ 138	2019
Enterprise Solutions	\$ 14	63%	\$ 12	2019

As of August 4, 2019, IPR&D is expected to be fully released by the end of fiscal year 2020.

Unaudited Pro Forma Information

The following unaudited pro forma financial information presents combined results of operations for each of the periods presented, as if CA had been acquired as of the beginning of fiscal year 2018. The unaudited pro forma information includes adjustments to amortization and depreciation for intangible assets and property, plant and equipment acquired, adjustments to stock-based compensation expense, interest expense for the additional indebtedness incurred to complete the acquisition, restructuring charges related to the acquisition and transaction costs. For the three fiscal quarters ended August 5, 2018, non-recurring pro forma adjustments directly attributable to the CA Merger included transaction costs of \$180 million. The unaudited 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 acquisition actually occurred at the beginning of fiscal year 2018 or of the results of our future operations of the combined business.

	Fiscal Quarter Ended		Three Fiscal Quarters Ended	
	August 4, 2019	August 5, 2018	August 4, 2019	August 5, 2018
	(In millions)			
Pro forma net revenue*	\$ 5,287	\$ 5,983	\$ 16,137	\$ 18,066
Pro forma net income attributable to common stock	\$ 542	\$ 894	\$ 1,895	\$ 8,956

* Pro forma net revenue was presented under Topic 606 for fiscal year 2019 periods and under Topic 605 for fiscal year 2018 periods.

Acquisition of Brocade Communications Systems, Inc.

On November 17, 2017, we acquired Brocade Communications Systems, Inc. ("Brocade"). Brocade was a supplier of networking hardware, software and services, including Fibre Channel Storage Area Network solutions and Internet Protocol Networking solutions. We acquired Brocade to enhance our position as a provider of enterprise storage connectivity solutions, to broaden our portfolio for enterprise storage, and to increase our ability to address the evolving needs of our original equipment manufacturer ("OEM") customers.

Unaudited Pro Forma Information

The following unaudited pro forma financial information presents combined results of operations for each of the periods presented, as if Brocade had been acquired as of the beginning of our fiscal year ended October 29, 2017 ("fiscal year 2017"). The unaudited pro forma information includes adjustments to amortization and depreciation for intangible assets and property, plant and equipment acquired, adjustments to stock-based compensation expense, the purchase accounting effect on inventory acquired, restructuring charges related to the acquisition and transaction costs. The unaudited 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 acquisition actually occurred at the beginning of fiscal year 2017 or of the results of our future operations of the combined business.

	Fiscal Quarter Ended	Three Fiscal Quarters Ended
	August 5, 2018	August 5, 2018
	(In millions)	
Pro forma net revenue*	\$ 5,066	\$ 15,530
Pro forma net income attributable to common stock	\$ 1,207	\$ 11,284

* Pro forma net revenue was presented under Topic 605 for fiscal year 2018 periods.

Pending Acquisition of Symantec Corporation's Enterprise Security Business

On August 8, 2019, we entered into an asset purchase agreement (the "Symantec Purchase Agreement") with Symantec Corporation ("Symantec") to purchase certain assets and assume certain liabilities of Symantec's Enterprise Security business for approximately \$10.7 billion in cash, on a cash-free, debt-free basis (the "Symantec Asset Purchase"). We intend to fund the Symantec Asset Purchase and related working capital needs with new, fully committed debt financing of up to \$12 billion in term loans. The Symantec Purchase Agreement provides that, following the closing of the Symantec Asset Purchase, each party will have certain indemnification obligations, including with respect to breaches of covenants and for losses arising from certain assumed or retained liabilities, as applicable. We and Symantec may terminate the Symantec Purchase Agreement if the closing of the Symantec Asset Purchase has not occurred on or before February 8, 2020, subject to a three-month extension in certain circumstances.

4. Supplemental Financial Information**Cash Equivalents**

Cash equivalents included \$603 million and \$1,406 million of time deposits as of August 4, 2019 and November 4, 2018, respectively. As of August 4, 2019 and November 4, 2018, cash equivalents also included \$945 million and \$202 million of money-market funds, respectively. For time deposits, carrying value approximates fair value due to the short-term nature of the instruments. The fair value of money-market funds, which was consistent with their carrying value, was determined using unadjusted prices in active, accessible markets for identical assets, and as such, they were classified as Level 1 assets in the fair value hierarchy.

Accounts Receivable Factoring

We sell certain of our trade accounts receivable on a non-recourse basis to third-party financial institutions pursuant to factoring agreements. We account for these transactions as sales of receivables and present cash proceeds as cash provided by operating activities in the condensed consolidated statements of cash flows. Total trade accounts receivable sold under the factoring agreements were \$375 million and \$465 million during the fiscal quarter and three fiscal quarters ended August 4, 2019, respectively, and \$305 million and \$362 million during the fiscal quarter and three fiscal quarters ended August 5, 2018, respectively. Factoring fees for the sales of receivables were recorded in other income, net and were not material for any period presented.

Inventory

	August 4, 2019	November 4, 2018
	(In millions)	
Finished goods	\$ 329	\$ 483
Work-in-process	567	505
Raw materials	195	136
Total inventory	<u>\$ 1,091</u>	<u>\$ 1,124</u>

Other Current Assets

	August 4, 2019	November 4, 2018
	(In millions)	
Prepaid expenses	\$ 402	\$ 243
Other (miscellaneous)	404	123
Total other current assets	<u>\$ 806</u>	<u>\$ 366</u>

Other Current Liabilities

	August 4, 2019	November 4, 2018
(In millions)		
Contract liabilities	\$ 1,872	\$ 164
Notional pooling liabilities	372	—
Tax liabilities	264	162
Other (miscellaneous)	666	486
Total other current liabilities	\$ 3,174	\$ 812

We use a notional pooling arrangement with an international bank to assist us in the management of global liquidity. Under this arrangement, we maintain either a cash deposit or borrowing position in our accounts, so long as the aggregate global pooling position is a notionally calculated net cash deposit.

Other Long-Term Liabilities

	August 4, 2019	November 4, 2018
(In millions)		
Unrecognized tax benefits (a) (b)	\$ 3,361	\$ 3,088
Deferred tax liabilities (a)	1,660	169
Contract liabilities	397	66
Other (miscellaneous)	536	313
Total other long-term liabilities	\$ 5,954	\$ 3,636

(a) Refer to Note 9. "Income Taxes" for additional information regarding these balances.

(b) Includes accrued interest and penalties.

Supplemental Cash Flow Information

	Fiscal Quarter Ended		Three Fiscal Quarters Ended	
	August 4, 2019	August 5, 2018	August 4, 2019	August 5, 2018
(In millions)				
Cash paid for interest	\$ 368	\$ 312	\$ 980	\$ 545
Cash paid for income taxes	\$ 98	\$ 127	\$ 618	\$ 323

As of August 4, 2019 and November 4, 2018, we had \$30 million and \$22 million, respectively, of unpaid purchases of property, plant and equipment included in accounts payable. Amounts reported as unpaid purchases are presented as cash outflows from investing activities for purchases of property, plant and equipment in the condensed consolidated statements of cash flows in the period in which they are paid.

5. Goodwill and Intangible Assets

Goodwill

	Wired Infrastructure	Wireless Communications	Enterprise Storage	Industrial & Other	Semiconductor Solutions	Infrastructure Software	IP Licensing	Total
(In millions)								
Balance as of November 4, 2018	\$ 17,705	\$ 5,945	\$ 3,112	\$ 151	\$ —	\$ —	\$ —	\$ 26,913
Reallocation due to change in segments	(17,705)	(5,945)	(3,112)	(151)	25,924	980	9	—
Acquisitions	—	—	—	—	5	9,768	—	9,773
Balance as of August 4, 2019	\$ —	\$ —	\$ —	\$ —	\$ 25,929	\$ 10,748	\$ 9	\$ 36,686

During the first quarter of fiscal year 2019, we changed our organizational structure resulting in three reportable segments: semiconductor solutions, infrastructure software and IP licensing. As a result, we have reassigned the goodwill balance to reflect our new segment structure using a relative fair value allocation approach. Under this approach, the fair value of each segment was determined using a combination of the income approach and the market approach, and was compared to the fair value of the total business immediately prior to the reorganization to arrive at the reassigned goodwill balance.

Intangible Assets

	Gross Carrying Amount	Accumulated Amortization	Net Book Value
(In millions)			
As of August 4, 2019:			
Purchased technology	\$ 20,888	\$ (9,288)	\$ 11,600
Customer contracts and related relationships	5,982	(1,563)	4,419
Order backlog	2,569	(681)	1,888
Trade names	712	(228)	484
Other	243	(81)	162
Intangible assets subject to amortization	30,394	(11,841)	18,553
IPR&D	326	—	326
Total	<u>\$ 30,720</u>	<u>\$ (11,841)</u>	<u>\$ 18,879</u>
As of November 4, 2018:			
Purchased technology	\$ 15,806	\$ (6,816)	\$ 8,990
Customer contracts and related relationships	1,792	(878)	914
Trade names	578	(170)	408
Other	239	(53)	186
Intangible assets subject to amortization	18,415	(7,917)	10,498
IPR&D	264	—	264
Total	<u>\$ 18,679</u>	<u>\$ (7,917)</u>	<u>\$ 10,762</u>

Based on the amount of intangible assets subject to amortization at August 4, 2019, the expected amortization expense for each of the next five years and thereafter was as follows:

Fiscal Year:	Expected Amortization Expense
	(In millions)
2019 (remainder)	\$ 1,309
2020	5,045
2021	4,142
2022	3,171
2023	2,166
Thereafter	2,720
Total	\$ 18,553

The weighted-average remaining amortization periods by intangible asset category were as follows:

Amortizable intangible assets:	August 4, 2019
	(In years)
Purchased technology	5
Customer contracts and related relationships	5
Order backlog	3
Trade names	10
Other	10

6. Net Income Per Share

Basic net income per share is computed by dividing net income attributable to common stock by the weighted-average number of shares of common stock outstanding during the period. Diluted net income per share is computed by dividing net income attributable to common stock by the weighted-average number of shares of common stock and potentially dilutive shares of common stock outstanding during the period.

Diluted shares outstanding include the dilutive effect of in-the-money stock options, unvested restricted stock units ("RSUs"), and employee stock purchase plan rights under the Broadcom Inc. Employee Stock Purchase Plan, as amended ("ESPP"), collectively referred to as "equity awards".

The dilutive effect of equity awards is calculated based on the average stock price for each fiscal period, using the treasury stock method. Under the treasury stock method, the amount the employee must pay for exercising stock options and purchasing shares under the ESPP and the amount of compensation cost for future service that we have not yet recognized are collectively assumed to be used to repurchase shares.

For the three fiscal quarters ended August 5, 2018, diluted net income per share excluded the potentially dilutive effect of the exchange of LP Units for 12 million shares of common stock prior to the effective time of Mandatory Exchange as their effect was antidilutive.

The following is a reconciliation of the numerators and denominators of the basic and diluted net income per share computations for the periods presented:

	Fiscal Quarter Ended		Three Fiscal Quarters Ended	
	August 4, 2019	August 5, 2018	August 4, 2019	August 5, 2018
(In millions, except per share data)				
Numerator:				
Income from continuing operations	\$ 715	\$ 1,197	\$ 1,889	\$ 11,514
Less: Income from continuing operations attributable to noncontrolling interest	—	—	—	352
Income from continuing operations attributable to common stock	715	1,197	1,889	11,162
Loss from discontinued operations, net of income taxes	—	(1)	(12)	(19)
Less: Loss from discontinued operations, net of income taxes, attributable to noncontrolling interest	—	—	—	(1)
Loss from discontinued operations, net of income taxes, attributable to common stock	—	(1)	(12)	(18)
Net income attributable to common stock	<u>\$ 715</u>	<u>\$ 1,196</u>	<u>\$ 1,877</u>	<u>\$ 11,144</u>
Denominator:				
Weighted-average shares outstanding - basic	398	430	399	420
Dilutive effect of equity awards	20	11	21	13
Weighted-average shares outstanding - diluted	<u>418</u>	<u>441</u>	<u>420</u>	<u>433</u>
Basic income per share:				
Income per share from continuing operations	\$ 1.80	\$ 2.78	\$ 4.73	\$ 26.58
Loss per share from discontinued operations	—	—	(0.03)	(0.05)
Net income per share	<u>\$ 1.80</u>	<u>\$ 2.78</u>	<u>\$ 4.70</u>	<u>\$ 26.53</u>
Diluted income per share:				
Income per share from continuing operations	\$ 1.71	\$ 2.71	\$ 4.50	\$ 25.78
Loss per share from discontinued operations	—	—	(0.03)	(0.04)
Net income per share	<u>\$ 1.71</u>	<u>\$ 2.71</u>	<u>\$ 4.47</u>	<u>\$ 25.74</u>

7. Borrowings

	Effective Interest Rate	August 4, 2019	November 4, 2018
(In millions, except percentages)			
<u>2019 Senior Notes - fixed rate</u>			
3.125% notes due April 2021	3.607%	\$ 2,000	\$ —
3.125% notes due October 2022	3.527%	1,500	—
3.625% notes due October 2024	3.980%	2,000	—
4.250% notes due April 2026	4.544%	2,500	—
4.750% notes due April 2029	4.953%	3,000	—
		11,000	—
<u>2019 Term Loans - floating rate</u>			
LIBOR plus 1.125% term loan due May 2022	3.683%	2,000	—
LIBOR plus 1.250% term loan due through May 2024	3.729%	2,000	—
LIBOR plus 1.375% term loan due through May 2026	3.820%	2,000	—
		6,000	—
<u>2017 Senior Notes - fixed rate</u>			
2.375% notes due January 2020	2.615%	2,750	2,750
2.200% notes due January 2021	2.406%	750	750
3.000% notes due January 2022	3.214%	3,500	3,500
2.650% notes due January 2023	2.781%	1,000	1,000
3.625% notes due January 2024	3.744%	2,500	2,500
3.125% notes due January 2025	3.234%	1,000	1,000
3.875% notes due January 2027	4.018%	4,800	4,800
3.500% notes due January 2028	3.596%	1,250	1,250
		17,550	17,550
<u>Assumed CA Senior Notes - fixed rate</u>			
5.375% notes due December 2019	3.433%	750	—
3.600% notes due August 2020	3.540%	400	—
3.600% notes due August 2022	4.071%	500	—
4.500% notes due August 2023	4.099%	250	—
4.700% notes due March 2027	5.153%	350	—
		2,250	—
<u>Commercial Paper</u>			
Commercial paper	2.855% (a)	1,000	—
		1,000	—
<u>Assumed Brocade Convertible Notes - fixed rate</u>			
1.375% convertible notes due January 2020	0.628%	37	37
		37	37
<u>Assumed BRCM Senior Notes - fixed rate</u>			
2.500% - 4.500% notes due August 2022 - August 2034	2.585% - 4.546%	22	22
Total principal amount outstanding		37,859	17,609
Less: Unaccreted discount/premium and unamortized debt issuance costs		(294)	(116)
Total debt		\$ 37,565	\$ 17,493

(a) Represents the weighted average interest rate on outstanding commercial paper as of August 4, 2019.

2019 Senior Notes

In April 2019, we issued \$11 billion in aggregate principal amount of senior unsecured notes (“2019 Senior Notes”). The 2019 Senior Notes are fully and unconditionally guaranteed, jointly and severally, on an unsecured, unsubordinated basis by Broadcom Corporation (“BRCM”) and Broadcom Technologies Inc. (“BTI”). Each series of our 2019 Senior Notes pays interest semi-annually in arrears on April 15 and October 15 of each year. We may, at our option, redeem or purchase, in whole or in part, any of the 2019 Senior Notes at a price equal to 100% of the principal amount of the applicable 2019 Senior Notes, plus a corresponding make-whole premium as set forth in the indenture governing the 2019 Senior Notes, plus accrued and unpaid interest, if any, to the date of repurchase. The 2019 Senior Notes are recorded as long-term debt, net of discount. The discount associated with the 2019 Senior Notes is amortized to interest expense over the respective terms of these borrowings.

2019 Term Loans

In November 2018, in connection with the CA Merger, we entered into a credit agreement (the “Original 2019 Credit Agreement”), which provided for a \$9 billion unsecured term A-3 facility and a \$9 billion unsecured term A-5 facility, collectively referred to as the “Original 2019 Term Loans”. Interest on our Original 2019 Term Loans was based on a floating rate and was payable monthly. Our obligations under the Original 2019 Credit Agreement were guaranteed on an unsecured basis by BRCM, Broadcom Cayman Finance Limited (“Cayman Finance”) and BTI. The Original 2019 Credit Agreement also provided for a five-year \$5 billion unsecured revolving credit facility. In April 2019, we used the net proceeds of \$11 billion from the 2019 Senior Notes and net proceeds of \$1 billion from Commercial Paper (defined below) to reduce the outstanding amount of our Original 2019 Term Loans from \$18 billion to \$6 billion. As a result of repaying the Original 2019 Term Loans, we wrote off \$26 million of debt issuance costs, which were included in interest expense. The remaining unamortized discount and debt issuance costs balance on the Original 2019 Term Loans will be amortized to interest expense over the respective terms of the 2019 Senior Notes and Commercial Paper.

On May 7, 2019, we entered into a new credit agreement (the “2019 Credit Agreement”), which provides for a \$2 billion unsecured term A-3 facility, a \$2 billion unsecured term A-5 facility and a \$2 billion unsecured term A-7 facility, collectively referred to as the “2019 Term Loans”. The 2019 Credit Agreement has substantially the same terms and conditions as the Original 2019 Credit Agreement, except for the maturity dates of the facilities. The 2019 Term Loans replaced the remaining \$6 billion Original 2019 Term Loans, which were terminated in connection with, and as a condition to, entering into the 2019 Credit Agreement. Our obligations under the 2019 Credit Agreement are guaranteed on an unsecured basis by BRCM and BTI.

Revolving Facility

The 2019 Credit Agreement also provided for a five-year \$5 billion unsecured revolving credit facility (the “Revolving Facility”), of which \$500 million was available for the issuance of multi-currency letters of credit. The Revolving Facility replaced the revolving credit facility of the same amount under the Original 2019 Credit Agreement. The issuance of letters of credit and certain other instruments would reduce the aggregate amount otherwise available under the Revolving Facility for revolving loans. Subject to the terms of the 2019 Credit Agreement, we are permitted to borrow, repay and reborrow revolving loans at any time prior to the earlier of (a) November 2023 or (b) the date of termination in whole of the revolving lenders’ commitments under the 2019 Credit Agreement in accordance with the terms thereof. We had no borrowings outstanding under the Revolving Facility on August 4, 2019.

Commercial Paper

In February 2019, we established a commercial paper program pursuant to which we may issue unsecured commercial paper notes (“Commercial Paper”) in an aggregate principal amount of up to \$2 billion outstanding at any time with maturities of up to 397 days from the date of issue. Commercial Paper is sold under customary terms in the commercial paper market and may be issued at a discount from par or, alternatively, may be sold at par and bear interest at rates dictated by market conditions at the time of their issuance. The Revolving Facility supports our commercial paper program. Outstanding Commercial Paper borrowings reduce the amount that would otherwise be available to borrow for general corporate purposes under the Revolving Facility. As of August 4, 2019, we had \$1 billion of Commercial Paper outstanding with maturities generally less than sixty days. We intend to continuously replace our Commercial Paper upon maturity with newly issued commercial paper. In addition, we have the ability to finance the Commercial Paper borrowings on a long-term basis as they are supported by the Revolving Facility. We have recorded Commercial Paper, net of discount, as long-term debt. The discount associated with the Commercial Paper is amortized to interest expense over its term.

Assumed CA Senior Notes

In connection with the CA Merger, we assumed \$2,250 million in aggregate principal amount of CA's outstanding senior unsecured notes (the "Assumed CA Senior Notes"). CA remains the sole obligor under the Assumed CA Senior Notes. We may redeem all or a portion of the Assumed CA Senior Notes at any time, subject to a specified make-whole premium as set forth in the related indenture. In the event of a change in control, each note holder will have the right to require us to repurchase all or any part of the holder's notes in cash at a price equal to 101% of the principal amount of such notes plus accrued and unpaid interest, if any, to the date of repurchase (subject to the right of holders of record on the relevant interest payment date to receive interest due). Each series of the Assumed CA Senior Notes pays interest semi-annually.

Fair Value of Debt

As of August 4, 2019, the estimated aggregate fair value of debt was \$37,934 million. The fair value of our senior notes was determined using quoted prices from less active markets. The estimated fair value of our 2019 Term Loans approximated its carrying value due to its floating interest rate and consistency in our credit ratings. The estimated fair value of our Commercial Paper approximated its carrying value due to the short-term nature of these borrowings. All of our debt obligations are categorized as Level 2 instruments.

Future Principal Payments of Debt

The future scheduled principal payments of debt as of August 4, 2019 were as follows:

Fiscal Year:	Future Scheduled Principal Payments
	(In millions)
2019 (remainder)	\$ 1,000
2020	3,937
2021	2,950
2022	7,909
2023	1,650
Thereafter	20,413
Total	\$ 37,859

As of August 4, 2019 and November 4, 2018, we accrued interest payable of \$208 million and \$165 million, respectively and were in compliance with all debt covenants.

Pending Financing Arrangement

In connection with the Symantec Purchase Agreement, we entered into a commitment letter, with certain financial institutions to provide (i) up to \$12 billion in term loans to fund the Symantec Asset Purchase and (ii) \$3.5 billion in term loans to refinance certain existing senior notes maturing in the first quarter of our fiscal year 2020 (which begins on November 4, 2019).

8. Stockholders' Equity**Redomiciliation Transaction**

For the period prior to the Redomiciliation Transaction, our stockholders' equity reflected Broadcom-Singapore's outstanding ordinary shares. On April 4, 2018, all Broadcom-Singapore outstanding ordinary shares were exchanged on a one-for-one basis for newly issued shares of Broadcom common stock and Broadcom-Singapore became a wholly-owned subsidiary of Broadcom.

In conjunction with the Redomiciliation Transaction and pursuant to the Mandatory Exchange, all outstanding LP Units held by the limited partners were mandatorily exchanged for approximately 22 million newly issued shares of Broadcom common stock on a one-for-one basis. As a result, all limited partners of the Partnership became common stockholders of Broadcom. In addition, all related outstanding special preference shares of Broadcom-Singapore were automatically redeemed upon the Mandatory Exchange.

Noncontrolling Interest

Immediately prior to the Redomiciliation Transaction, the limited partners held a noncontrolling interest of approximately 5% in the Partnership through their ownership of LP Units. Accordingly, net income attributable to our common stock in our condensed consolidated statements of operations excluded the noncontrolling interest's proportionate share of our results prior to the Redomiciliation Transaction. In addition, we presented the proportionate share of equity attributable

to the noncontrolling interest as a separate component of total equity within our condensed consolidated statements of equity for the periods prior to the Redomiciliation Transaction.

Dividends and Distributions

	Fiscal Quarter Ended		Three Fiscal Quarters Ended	
	August 4, 2019	August 5, 2018	August 4, 2019	August 5, 2018
(In millions, except per share data)				
Cash dividends and distributions declared and paid per share/unit	\$ 2.65	\$ 1.75	\$ 7.95	\$ 5.25
Cash dividends paid to stockholders	\$ 1,057	\$ 754	\$ 3,181	\$ 2,198
Cash distributions paid to limited partners	\$ —	\$ —	\$ —	\$ 77

Stock Repurchase Program

In December 2018, our Board of Directors increased our previously authorized \$12 billion stock repurchase program to a total of \$18 billion. This authorization covers repurchases through fiscal year 2019. During the fiscal quarter and three fiscal quarters ended August 4, 2019, we repurchased and retired approximately 2 million and 19 million shares of our common stock for \$736 million and \$5,002 million, respectively, under this stock repurchase program. During the fiscal quarter and three fiscal quarters ended August 5, 2018, we repurchased and retired approximately 24 million and 26 million shares of our common stock for \$5,378 million and \$5,725 million, respectively, under this stock repurchase program. As of August 4, 2019, \$5,740 million of the current authorization remained available under our stock repurchase program.

Repurchases under our stock repurchase program may be effected through a variety of methods, including open market or privately negotiated purchases. The timing and number of shares of common stock repurchased will depend on a variety of factors, including price, general business and market conditions and alternative investment opportunities. We are not obligated to repurchase any specific number of shares of common stock, and we may suspend or discontinue our stock repurchase program at any time.

Stock-Based Compensation Expense

	Fiscal Quarter Ended		Three Fiscal Quarters Ended	
	August 4, 2019	August 5, 2018	August 4, 2019	August 5, 2018
(In millions)				
Cost of products sold	\$ 34	\$ 20	\$ 89	\$ 57
Cost of subscriptions and services	13	2	33	6
Research and development	456	222	1,138	630
Selling, general and administrative	129	71	381	217
Total stock-based compensation expense	\$ 632	\$ 315	\$ 1,641	\$ 910

During the fiscal quarter ended February 3, 2019, the Compensation Committee of our Board of Directors approved a broad-based program of multi-year equity grants of time- and market-based RSUs (the "Multi-Year Equity Awards") in lieu of our annual employee equity awards historically granted on March 15 of each year. Each Multi-Year Equity Award vests on the same basis as four annual grants made March 15 of each year, beginning in fiscal year 2019, with successive four-year vesting periods. Stock-based compensation expense related to the Multi-Year Equity Awards was \$314 million and \$639 million for the fiscal quarter and three fiscal quarters ended August 4, 2019, including \$47 million and \$96 million of Multi-Year Equity Awards granted to employees acquired in the CA Merger, respectively.

During the fiscal quarter ended August 4, 2019, our Compensation Committee approved an amendment to the vesting of time-based RSUs that met certain criteria from an annual vesting cycle to a quarterly vesting cycle. We recognized approximately \$128 million of additional stock-based compensation expense related to a one-time true up of expense for shares vested during the fiscal quarter ended August 4, 2019 and expected to vest as of August 4, 2019, including the Multi-Year Equity Awards, due to the acceleration of vesting dates, as well as incremental fair value resulting from the change in the vesting condition.

For the fiscal quarter and three fiscal quarters ended August 4, 2019, stock-based compensation expense included \$13 million and \$73 million, respectively, related to equity awards assumed in connection with the CA Merger. In addition to stock-based compensation expense presented above, for the three fiscal quarters ended August 4, 2019, we recognized \$75 million

in restructuring charges for accelerated vesting of assumed equity awards held by employees terminated in connection with the CA Merger.

As of August 4, 2019, the total unrecognized compensation cost related to unvested stock-based awards was \$6,108 million, which is expected to be recognized over the remaining weighted-average service period of 4.2 years.

Equity Incentive Award Plans

A summary of time- and market-based RSU activity is as follows:

	Number of RSUs Outstanding	Weighted-Average Grant Date Fair Value Per Share
(In millions, except per share data)		
Balance as of November 4, 2018	18	\$ 195.50
Assumed in CA Merger	1	\$ 206.14
Granted	32	\$ 178.14
Vested	(9)	\$ 189.91
Forfeited	(1)	\$ 180.86
Balance as of August 4, 2019	41	\$ 188.86

The aggregate fair value of time- and market-based RSUs that vested during the three fiscal quarters ended August 4, 2019 was \$2,494 million, which represents the market value of our common stock on the date that the RSUs vested. The number of RSUs vested included shares of common stock that we withheld for settlement of employees' tax obligations due upon the vesting of RSUs.

A summary of time- and market-based stock option activity is as follows:

	Number of Options Outstanding	Weighted- Average Exercise Price Per Share	Weighted- Average Remaining Contractual Life (In years)	Aggregate Intrinsic Value
(In millions, except years and per share data)				
Balance as of November 4, 2018	8	\$ 50.14		
Exercised	(3)	\$ 47.99		\$ 706
Cancelled	— *	\$ 44.84		
Balance as of August 4, 2019	5	\$ 51.56	1.36	\$ 1,052
Fully vested as of August 4, 2019	5	\$ 51.56	1.36	\$ 1,052

* Represents fewer than 0.5 million shares.

9. Income Taxes

For the fiscal quarter and three fiscal quarters ended August 4, 2019, our benefit from income taxes was \$171 million and \$410 million, respectively, compared to a provision for income taxes of \$32 million and a benefit from income taxes of \$8,391 million for the fiscal quarter and three fiscal quarters ended August 5, 2018, respectively.

The benefit for the fiscal quarter ended August 4, 2019 was primarily due to \$75 million of benefit from deferred tax remeasurement in a foreign jurisdiction, \$47 million of benefit related to internal reorganizations, and \$34 million of excess tax benefits from stock-based awards that vested or were exercised during the period.

The provision for income taxes for the corresponding 2018 fiscal quarter was primarily due to profits from continuing operations, partially offset by a net discrete benefit of \$14 million, including \$25 million of excess tax benefits from stock-based awards that vested or were exercised during the period.

The benefit for the three fiscal quarters ended August 4, 2019 was primarily due to \$206 million of excess tax benefits from stock-based awards that vested or were exercised during the period, \$121 million from the recognition of gross uncertain tax benefits as a result of audit settlements and lapses of statutes of limitations, \$75 million of benefit from deferred tax remeasurement in a foreign jurisdiction, \$66 million of benefit related to internal reorganizations, and the partial release of \$54 million of our valuation allowance as a result of the CA Merger, partially offset by \$113 million of expense from a change

in estimate of our fiscal year 2018 provision resulting from regulations issued related to the U.S. Tax Cuts and Jobs Act (the "2017 Tax Reform Act").

On December 22, 2017, the SEC issued Staff Accounting Bulletin No. 118. This guidance allowed registrants a "measurement period," not to exceed one year from the date of enactment, to complete their accounting for the tax effects of the 2017 Tax Reform Act. We relied on this guidance to refine our estimates of the impact of the 2017 Tax Reform Act during the measurement period. The measurement period ended during our fiscal quarter ended February 3, 2019, and no adjustments were recorded. As a result, we consider our accounting for the tax effects of the 2017 Tax Reform Act to be complete based on our interpretation of the law and subsequently issued guidance. However, it is expected that the U.S. Treasury will continue to issue regulations and other guidance on the application of certain provisions of the 2017 Tax Reform Act that may impact our interpretation of the rules and our calculation of the tax impact of the transition tax on the mandatory deemed repatriation of accumulated non-U.S. earnings of U.S. controlled foreign corporations as of December 31, 2017 (the "Transition Tax") or other provisions of the 2017 Tax Reform Act. We recorded income tax expense of \$113 million during the fiscal quarter ended May 5, 2019 as a result of the issuance of such regulations.

The three fiscal quarters ended August 4, 2019 also included the impact of several provisions of the 2017 Tax Reform Act that became effective for us for the first time in fiscal year 2019, including a new minimum tax on certain foreign earnings, known as Global Intangible Low-taxed Income ("GILTI"), a new incentive for foreign-derived intangible income, changes to the limitation on the deductibility of certain executive compensation, and new limitations on the deductibility of interest expense. We have elected to account for GILTI as a period cost rather than on a deferred basis.

In connection with CA Merger in November 2018, we established \$2,378 million of net deferred tax liabilities on the excess of the book basis over the tax basis of acquired identified intangible assets and investments in certain foreign subsidiaries that had not been indefinitely reinvested, partially offset by acquired tax attributes. The net deferred tax liabilities are based upon certain assumptions underlying our preliminary purchase price allocation. Upon finalization of the purchase price allocation, additional adjustments to the amount of our net deferred taxes may be required, provided we are within the measurement period.

The benefit from income taxes for the corresponding 2018 fiscal period was principally a result of provisional income tax benefits realized from the enactment of the 2017 Tax Reform Act and the Redomiciliation Transaction. The 2017 Tax Reform Act made significant changes to the U.S. Internal Revenue Code, including, but not limited to, a decrease in the U.S. corporate tax rate from 35% to 21% effective for tax years beginning after December 31, 2017, the transition of U.S. international taxation from a worldwide tax system to a participation exemption regime, and the Transition Tax.

As a result of the 2017 Tax Reform Act, we recorded a total provisional benefit of \$7,303 million during the three fiscal quarters ended August 5, 2018. The provisional benefit included \$7,212 million related to the Transition Tax, which was primarily due to a reduction of \$10,392 million in our federal deferred income tax liabilities on accumulated non-U.S. earnings, partially offset by \$2,116 million of federal provisional long-term Transition Tax payable and \$1,116 million of unrecognized federal tax benefits related to the Transition Tax. This provisional benefit also included \$92 million related to the remeasurement of certain deferred tax assets and liabilities, which was based on the tax rates at which they were expected to be reversed in the future as a result of the 2017 Tax Reform Act.

The impact of the Redomiciliation Transaction and related internal reorganizations included tax benefits of \$1,162 million from the remeasurement of withholding taxes on undistributed earnings, partially offset by an \$84 million tax provision on foreign earnings and profit subject to U.S. tax.

We also recognized income tax benefits of \$25 million and \$180 million for excess tax benefits from stock-based awards that vested or were exercised during the fiscal quarter and three fiscal quarters ended August 5, 2018, respectively.

During the fiscal quarter ended August 4, 2019, we re-evaluated our indefinite reinvestment assertion with regards to certain accumulated foreign earnings and concluded that we intend to indefinitely reinvest \$2,677 million of such earnings as a result of interpretive guidance issued by the IRS. The amount of unrecognized deferred income tax liability indefinitely related to these earnings is estimated to be \$281 million. All other current and future earnings of all our foreign subsidiaries are not considered permanently reinvested.

Uncertain Tax Positions

The balance of gross unrecognized tax benefits was \$4,254 million and \$4,030 million as of August 4, 2019 and November 4, 2018, respectively. This increase was primarily due to the recognition of uncertain tax positions related to the CA Merger, which were initially estimated as of the CA Acquisition Date, offset by audit settlements and lapses of statutes of limitations. We continue to reevaluate these items with any adjustments to our preliminary estimates recognized, provided we are within the measurement period and we continue to collect information in order to determine their estimated values.

Accrued interest and penalties are included in other long-term liabilities on the condensed consolidated balance sheets. As of August 4, 2019 and November 4, 2018, the combined amount of cumulative accrued interest and penalties was approximately \$328 million and \$190 million, respectively.

As of August 4, 2019 and November 4, 2018, approximately \$4,582 million and \$4,220 million, respectively, of the unrecognized tax benefits, including accrued interest and penalties, would affect our effective tax rate if favorably resolved.

We are subject to U.S. income tax examination for fiscal years 2013 and later. Certain of our acquired companies are subject to tax examinations in major jurisdictions outside of the U.S. for fiscal years 2008 and later. It is possible that our existing unrecognized tax benefits may change up to \$126 million as a result of lapses of the statute of limitations for certain audit periods and/or audit examinations expected to be completed within the next 12 months.

10. Segment Information

Reportable Segments

As a result of the CA Merger, which closed on November 5, 2018, we updated our organizational structure resulting in three reportable segments: semiconductor solutions, infrastructure software and IP licensing. Each segment represents components for which separate financial information is available that is utilized on a regular basis by the CODM in determining how to allocate resources and evaluate performance. The reportable segments are determined based on several factors including, but not limited to, customer base, homogeneity of products, technology, delivery channels and similar economic characteristics.

Semiconductor solutions. We provide semiconductor solutions for managing the movement of data in data center, telecom, enterprise and embedded networking applications. We provide a broad variety of radio frequency semiconductor devices, wireless connectivity solutions and custom touch controllers for mobile applications. We also provide semiconductor solutions for enabling the set-top box and broadband access markets and for enabling secure movement of digital data to and from host machines, such as servers, personal computers and storage systems, to the underlying storage devices, such as hard disk drives and solid state drives. We also provide a broad variety of products for the general industrial and automotive markets.

Infrastructure software. We provide a portfolio of mainframe, enterprise and storage area networking solutions, which enables customers to leverage the benefits of agility, automation, insights, resiliency and security in managing business processes and technology investments.

IP licensing. We license a portion of our broad IP portfolio.

Our CODM assesses the performance of each segment and allocates resources to those segments based on net revenue and operating results and does not evaluate our segments using discrete asset information. Operating results by segment include items that are directly attributable to each segment and also include shared expenses such as global operations, including manufacturing support, logistics and quality control, in addition to expenses associated with selling, general and administrative activities for the business, which are allocated primarily based on revenue, while facilities expenses are allocated primarily based on site-specific headcount.

Unallocated Expenses

Unallocated expenses include amortization of acquisition-related intangible assets, stock-based compensation expense, restructuring, impairment and disposal charges, acquisition-related costs, charges related to inventory step-up to fair value, and other costs, which are not used in evaluating the results of, or in allocating resources to, our segments. Acquisition-related costs also include transaction costs and any costs directly related to the acquisition and integration of acquired businesses.

Depreciation expense directly attributable to each reportable segment is included in operating results for each segment. However, the CODM does not evaluate depreciation expense by operating segment and, therefore, it is not separately presented. There was no inter-segment revenue. The accounting policies of the segments are the same as those described in the summary of significant accounting policies.

	Fiscal Quarter Ended		Three Fiscal Quarters Ended	
	August 4, 2019	August 5, 2018	August 4, 2019	August 5, 2018
(In millions)				
Net revenue:				
Semiconductor solutions	\$ 4,353	\$ 4,568	\$ 12,815	\$ 14,060
Infrastructure software	1,140	492	3,956	1,267
IP licensing	22	3	50	77
Total net revenue	<u>\$ 5,515</u>	<u>\$ 5,063</u>	<u>\$ 16,821</u>	<u>\$ 15,404</u>
Operating income (loss):				
Semiconductor solutions	\$ 2,081	\$ 2,192	\$ 6,018	\$ 6,644
Infrastructure software	829	352	2,899	878
IP licensing	—	(11)	(6)	30
Unallocated expenses	(2,045)	(1,194)	(6,521)	(4,069)
Total operating income	<u>\$ 865</u>	<u>\$ 1,339</u>	<u>\$ 2,390</u>	<u>\$ 3,483</u>

Significant Customer Information

We sell our products through our direct sales force and a select network of distributors globally. One customer accounted for 21% of our net accounts receivable balance at August 4, 2019, compared with two customers who accounted for 20% and 14% of our net accounts receivable balance at November 4, 2018.

One customer accounted for 16% and 15% of our net revenue for the fiscal quarter and three fiscal quarters ended August 4, 2019, respectively. Net revenue from this customer was included in our semiconductor solutions segment.

No customer accounted for 10% or more of our net revenue for the fiscal quarter ended August 5, 2018. One customer accounted for 11% of our net revenue during the three fiscal quarters ended August 5, 2018. The majority of the revenue from this customer was included in our semiconductor solutions segment.

11. Commitments and Contingencies

Commitments

The following table summarizes contractual obligations and commitments as of August 4, 2019 that materially changed from the end of fiscal year 2018:

	Total	Fiscal Year					Thereafter
		2019 (remainder)	2020	2021	2022	2023	
(In millions)							
Debt principal, interest and fees	\$ 44,728	\$ 1,306	\$ 5,207	\$ 4,112	\$ 8,930	\$ 2,490	\$ 22,683
Purchase commitments	802	697	60	45	—	—	—
Other contractual commitments	187	55	92	23	10	7	—
Operating lease obligations	769	31	105	89	59	51	434
Total	<u>\$ 46,486</u>	<u>\$ 2,089</u>	<u>\$ 5,464</u>	<u>\$ 4,269</u>	<u>\$ 8,999</u>	<u>\$ 2,548</u>	<u>\$ 23,117</u>

Debt Principal, Interest and Fees. Represents principal, estimated interest and fees on our borrowings. For borrowings subject to a floating interest rate, the estimated interest was based on the rate in effect during the last month of the fiscal quarter ended August 4, 2019.

Purchase Commitments. Represents unconditional purchase obligations that include agreements to purchase goods or services, primarily inventory, that are enforceable and legally binding on us and that specify all significant terms, including fixed or minimum quantities to be purchased, fixed, minimum or variable price provisions, and the approximate timing of the transaction. Purchase obligations exclude agreements that are cancelable without penalty.

Other Contractual Commitments. Represents amounts payable pursuant to agreements related to information technology, human resources, and other service agreements.

Operating Lease Obligations. Represents real property and equipment leased from third parties under non-cancelable operating leases. Rent expense was \$61 million and \$187 million for the fiscal quarter and three fiscal quarters ended August 4, 2019, respectively. Rent expense was \$51 million and \$178 million for the fiscal quarter and three fiscal quarters ended August 5, 2018, respectively.

Due to the inherent uncertainty with respect to the timing of future cash outflows associated with our unrecognized tax benefits at August 4, 2019, we are unable to reliably estimate the timing of cash settlement with the respective taxing authorities. Therefore, \$3,361 million of unrecognized tax benefits and accrued interest classified within other long-term liabilities on our condensed consolidated balance sheet as of August 4, 2019 have been excluded from the contractual obligations table above.

Standby Letters of Credit

As of August 4, 2019 and November 4, 2018, we had standby letters of credit of \$65 million and \$14 million, respectively. Standby letters of credit are financial guarantees provided by third parties for leases, customs, taxes and certain self-insured risks. If the guarantees are called, we must reimburse the provider of the guarantees.

Contingencies

From time to time, we are involved in litigation that we believe is of the type common to companies engaged in our line of business, including commercial disputes, employment issues and disputes involving claims by third parties that our activities infringe their patent, copyright, trademark or other IP rights. Legal proceedings are often complex, may require the expenditure of significant funds and other resources, and the outcome of litigation is inherently uncertain, with material adverse outcomes possible. IP property claims generally involve the demand by a third-party that we cease the manufacture, use or sale of the allegedly infringing products, processes or technologies and/or pay substantial damages or royalties for past, present and future use of the allegedly infringing IP. Claims that our products or processes infringe or misappropriate any third-party IP rights (including claims arising through our contractual indemnification of our customers) often involve highly complex, technical issues, the outcome of which is inherently uncertain. Moreover, from time to time, we pursue litigation to assert our IP rights. Regardless of the merit or resolution of any such litigation, complex IP litigation is generally costly and diverts the efforts and attention of our management and technical personnel.

Lawsuits Relating to the Acquisition of Emulex Corporation

On April 8, 2015, a putative class action complaint was filed in the U.S. Central District Court, entitled Gary Varjabedian, et al. v. Emulex Corporation, et al., No. 8:15-cv-554-CJC-JCG. The complaint names as defendants Emulex Corporation ("Emulex"), its directors, AT Wireless and Emerald Merger Sub, and purported to assert claims under Sections 14(d), 14(e) and 20(a) of the Exchange Act. The complaint alleged, among other things, that the board of directors of Emulex failed to provide material information and/or omitted material information from the Solicitation/Recommendation Statement on Schedule 14D-9 filed with the SEC on April 7, 2015 by Emulex, together with the exhibits and annexes thereto. The complaint sought to enjoin the tender offer to purchase all of the outstanding shares of Emulex common stock, as well as certain other equitable relief and attorneys' fees and costs. On July 28, 2015, the U.S. Central District Court issued an order appointing the lead plaintiff and approving lead counsel for the putative class. On September 9, 2015, plaintiff filed a first amended complaint seeking rescission of the merger, unspecified money damages, other equitable relief and attorneys' fees and costs. On October 13, 2015, defendants moved to dismiss the first amended complaint, which the U.S. Central District Court granted with prejudice on January 13, 2016. Plaintiff filed a notice of appeal to the United States Court of Appeals for the Ninth Circuit (the "Ninth Circuit Court") on January 15, 2016. The appeal is captioned Gary Varjabedian, et al. v. Emulex Corporation, et al., No. 16-55088. On June 27, 2016, the Plaintiff-Appellant filed his opening brief, on August 17 and August 22, 2016, the Defendants-Appellees filed their answering briefs, and on October 5, 2016 Plaintiff-Appellant filed his reply brief. The Ninth Circuit Court heard oral arguments on October 5, 2017. On April 20, 2018, the Ninth Circuit Court issued an opinion affirming in part and reversing in part the decision of the U.S. Central District Court and remanding Plaintiff-Appellant's claims under Sections 14(e) and 20(a) of the Exchange Act to the U.S. Central District Court for reconsideration. On May 4, 2018, the Defendants-Appellees filed a Petition for Rehearing En Banc with the Ninth Circuit Court. On July 13, 2018, Plaintiff-Appellant filed an Opposition to the Petition for Rehearing En Banc. On September 6, 2018, the Ninth Circuit Court issued an order denying the Petition for Rehearing En Banc. On October 11, 2018, Defendants-Appellees filed a Petition for a Writ of Certiorari to the United States Supreme Court (the "U.S. Supreme Court"). On January 4, 2019, the U.S. Supreme Court granted certiorari. On April 23, 2019, the U.S. Supreme Court dismissed the writ of certiorari as having been improvidently granted. On May 28, 2019, the Ninth Circuit Court remanded the case back to the U.S. Central District Court. On August 6, 2019, the U.S. Central District Court issued an order setting the briefing schedule for defendants' motion to dismiss. We believe these claims are all without merit and intend to vigorously defend these actions.

Other Matters

In addition to the matters discussed above, we are currently engaged in a number of legal actions in the ordinary course of our business.

Contingency Assessment

We do not believe, based on currently available facts and circumstances, that the final outcome of any pending legal proceedings or ongoing regulatory investigations, taken individually or as a whole, will have a material adverse effect on our condensed consolidated financial statements. However, lawsuits may involve complex questions of fact and law and may require the expenditure of significant funds and other resources to defend. The results of litigation or regulatory investigations are inherently uncertain, and material adverse outcomes are possible. From time to time, we may enter into confidential discussions regarding the potential settlement of such lawsuits. Any settlement of pending litigation could require us to incur substantial costs and other ongoing expenses, such as future royalty payments in the case of an intellectual property dispute.

During the periods presented, no material amounts have been accrued or disclosed in the accompanying condensed consolidated financial statements with respect to loss contingencies associated with any other legal proceedings or regulatory investigations, as potential losses for such matters are not considered probable and ranges of losses are not reasonably estimable. These matters are subject to many uncertainties and the ultimate outcomes are not predictable. There can be no assurances that the actual amounts required to satisfy any liabilities arising from the matters described above will not have a material adverse effect on our condensed consolidated financial statements.

Other Indemnifications

As is customary in our industry and as provided for in local law in the U.S. and other jurisdictions, many of our standard contracts provide remedies to our customers and others with whom we enter into contracts, such as defense, settlement, or payment of judgment for IP claims related to the use of our products. From time to time, we indemnify customers, as well as our suppliers, contractors, lessors, lessees, companies that purchase our businesses or assets and others with whom we enter into contracts, against combinations of loss, expense, or liability arising from various triggering events related to the sale and the use of our products, the use of their goods and services, the use of facilities and state of our owned facilities, the state of the assets and businesses that we sell and other matters covered by such contracts, usually up to a specified maximum amount. In addition, from time to time we also provide protection to these parties against claims related to undiscovered liabilities, additional product liabilities or environmental obligations. In our experience, claims made under such indemnifications are rare and the associated estimated fair value of the liability is not material.

12. Restructuring, Impairment and Disposal Charges

Restructuring Charges

The following is a summary of significant restructuring expense recognized in continuing operations, primarily in operating expenses:

- During the first quarter of fiscal year 2019, we initiated cost reduction activities associated with the CA Merger. As a result, we recognized \$35 million and \$710 million of restructuring expense primarily related to employee termination and lease and other exit costs during the fiscal quarter and three fiscal quarters ended August 4, 2019, respectively. We expect these restructuring activities to be substantially completed by the end of fiscal year 2020.
- During the first quarter of fiscal year 2018, we initiated cost reduction activities associated with the acquisition of Brocade. As a result, we recognized \$2 million of restructuring expense during the three fiscal quarters ended August 4, 2019 and \$16 million and \$159 million for the fiscal quarter and three fiscal quarters ended August 5, 2018, respectively. These charges primarily related to employee termination costs. We have substantially completed the restructuring activities related to the acquisition of Brocade.
- In connection with cost reduction activities associated with the acquisition of BRCM, we recognized \$4 million of restructuring expense during the three fiscal quarters ended August 4, 2019 and \$4 million and \$49 million for the fiscal quarter and three fiscal quarters ended August 5, 2018, respectively. These restructuring expenses primarily related to lease and other exit costs. We have substantially completed the restructuring activities related to the acquisition of BRCM.

The following table summarizes the significant activities within, and components of, the restructuring liabilities during the three fiscal quarters ended August 4, 2019.

	Employee Termination Costs	Leases and Other Exit Costs	Total
(In millions)			
Balance as of November 4, 2018	\$ 16	\$ 6	\$ 22
Liabilities assumed from CA	29	38	67
Restructuring charges	575	141	716
Utilization	(500)	(140)	(640)
Balance as of August 4, 2019 (a)	<u>\$ 120</u>	<u>\$ 45</u>	<u>\$ 165</u>

(a) The majority of the employee termination costs balance is expected to be paid within the next 12 months. The majority of the leases and other exit costs balance is expected to be paid through fiscal year 2025.

Impairment and Disposal Charges

During the fiscal quarter and three fiscal quarters ended August 4, 2019, we incurred impairment and disposal charges of \$15 million and \$50 million, respectively. During the fiscal quarter and three fiscal quarters ended August 5, 2018, we incurred impairment and disposal charges of \$1 million and \$13 million, respectively. These charges were primarily related to impairment and disposal of property, plant and equipment.

13. Condensed Consolidating Financial Information

As of November 4, 2018, certain debt obligations of Broadcom, consisting of \$17,550 million in senior unsecured notes issued by BRCM and Cayman Finance in fiscal year 2017 (the "2017 Senior Notes"), were fully and unconditionally guaranteed, jointly and severally, on an unsecured, unsubordinated basis by Broadcom and Broadcom-Singapore. Substantially all of the 2017 Senior Notes have been registered with the SEC. During the fiscal quarter ended February 3, 2019, Broadcom-Singapore was placed in voluntary liquidation in Singapore. BTI, a 100%-owned subsidiary of Broadcom, became a guarantor of the 2017 Senior Notes and entered into supplemental indentures with BRCM and Cayman Finance and the trustee of the 2017 Senior Notes. As a result, Broadcom-Singapore was released from its guarantee of the 2017 Senior Notes under each of their respective indentures in accordance with their terms. On May 15, 2019, Cayman Finance was merged into BTI, with BTI remaining as the surviving entity. In connection with this merger, BTI remains a guarantor and became co-issuer of the 2017 Senior Notes.

Accordingly, we updated the guarantor structure as of August 4, 2019, which resulted in the following revised column headings:

- Parent Guarantor (Broadcom)
- Subsidiary Issuers (BTI and BRCM)
- Non-Guarantor Subsidiaries (our other subsidiaries)

We have applied the impacts of the change in guarantors and issuers retrospectively to all periods presented.

The following information sets forth the condensed consolidating financial information for the Parent Guarantor, the Subsidiary Issuers, and our Non-Guarantor Subsidiaries for the periods presented in these condensed consolidated financial statements. Investments in subsidiaries are accounted for under the equity method; accordingly, entries necessary to consolidate the Parent Guarantor, the Subsidiary Issuers and the Non-Guarantor Subsidiaries are reflected in the Eliminations column. In the opinion of management, separate complete financial statements of the Subsidiary Issuers would not provide additional material information that would be useful in assessing their financial composition.

Condensed Consolidating Balance Sheets
August 4, 2019

	<u>Parent Guarantor</u>	<u>Subsidiary Issuers</u>	<u>Non- Guarantor Subsidiaries</u>	<u>Eliminations</u>	<u>Consolidated Totals</u>
(In millions)					
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 203	\$ 595	\$ 4,664	\$ —	\$ 5,462
Trade accounts receivable, net	—	—	3,539	—	3,539
Inventory	—	—	1,091	—	1,091
Intercompany receivable	92	750	462	(1,304)	—
Intercompany loan receivable	—	10,319	8,605	(18,924)	—
Other current assets	144	59	603	—	806
Total current assets	439	11,723	18,964	(20,228)	10,898
Long-term assets:					
Property, plant and equipment, net	—	761	1,850	—	2,611
Goodwill	—	1,360	35,326	—	36,686
Intangible assets, net	—	79	18,800	—	18,879
Investment in subsidiaries	52,248	46,526	—	(98,774)	—
Intercompany loan receivable, long-term	—	—	932	(932)	—
Other long-term assets	27	64	602	—	693
Total assets	\$ 52,714	\$ 60,513	\$ 76,474	\$ (119,934)	\$ 69,767
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current liabilities:					
Accounts payable	\$ 35	\$ 47	\$ 914	\$ —	\$ 996
Employee compensation and benefits	—	162	413	—	575
Current portion of long-term debt	—	2,750	787	—	3,537
Intercompany payable	492	38	774	(1,304)	—
Intercompany loan payable	12,858	4,908	1,158	(18,924)	—
Other current liabilities	157	45	2,972	—	3,174
Total current liabilities	13,542	7,950	7,018	(20,228)	8,282
Long-term liabilities:					
Long-term debt	17,807	14,725	1,496	—	34,028
Deferred tax liabilities	(65) (a)	(279) (a)	2,004	—	1,660
Intercompany loan payable, long-term	—	932	—	(932)	—
Unrecognized tax benefits	—	2,282	1,079	—	3,361
Other long-term liabilities	(73) (b)	236	770	—	933
Total liabilities	31,211	25,846	12,367	(21,160)	48,264
Total stockholders' equity	21,503	34,667	64,107	(98,774)	21,503
Total liabilities and stockholders' equity	\$ 52,714	\$ 60,513	\$ 76,474	\$ (119,934)	\$ 69,767

(a) Amount represents net deferred tax assets that are offset by net deferred tax liabilities on a consolidated basis.

(b) Amount represents tax attribute assets that are offset by tax payables on a consolidated basis.

Condensed Consolidating Balance Sheets

November 4, 2018

	Parent Guarantor	Subsidiary Issuers	Non- Guarantor Subsidiaries	Eliminations	Consolidated Totals
(In millions)					
ASSETS					
Current assets:					
Cash and cash equivalents	\$ —	\$ 2,461	\$ 1,831	\$ —	\$ 4,292
Trade accounts receivable, net	—	—	3,325	—	3,325
Inventory	—	—	1,124	—	1,124
Intercompany receivable	56	182	67	(305)	—
Intercompany loan receivable	—	9,780	4,713	(14,493)	—
Other current assets	52	37	277	—	366
Total current assets	108	12,460	11,337	(14,798)	9,107
Long-term assets:					
Property, plant and equipment, net	—	772	1,863	—	2,635
Goodwill	—	1,360	25,553	—	26,913
Intangible assets, net	—	84	10,678	—	10,762
Investment in subsidiaries	35,268	46,742	—	(82,010)	—
Intercompany loan receivable, long-term	—	—	991	(991)	—
Other long-term assets	—	250	457	—	707
Total assets	\$ 35,376	\$ 61,668	\$ 50,879	\$ (97,799)	\$ 50,124
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current liabilities:					
Accounts payable	\$ 19	\$ 44	\$ 748	\$ —	\$ 811
Employee compensation and benefits	—	272	443	—	715
Intercompany payable	9	58	238	(305)	—
Intercompany loan payable	8,691	4,713	1,089	(14,493)	—
Other current liabilities	—	219	593	—	812
Total current liabilities	8,719	5,306	3,111	(14,798)	2,338
Long-term liabilities:					
Long-term debt	—	17,456	37	—	17,493
Deferred tax liabilities	—	(47) (a)	216	—	169
Intercompany loan payable, long-term	—	991	—	(991)	—
Unrecognized tax benefits	—	2,563	525	—	3,088
Other long-term liabilities	—	131	248	—	379
Total liabilities	8,719	26,400	4,137	(15,789)	23,467
Total stockholders' equity	26,657	35,268	46,742	(82,010)	26,657
Total liabilities and stockholders' equity	\$ 35,376	\$ 61,668	\$ 50,879	\$ (97,799)	\$ 50,124

(a) Amount represents net deferred tax assets that are offset by net deferred tax liabilities on a consolidated basis.

Condensed Consolidating Statements of Operations and Comprehensive Income

Fiscal Quarter Ended

August 4, 2019

	Parent Guarantor	Subsidiary Issuers	Non- Guarantor Subsidiaries	Eliminations	Consolidated Totals
(In millions)					
Net revenue:					
Products	\$ —	\$ —	\$ 4,413	\$ —	\$ 4,413
Subscriptions and services	—	—	1,102	—	1,102
Intercompany revenue	—	403	—	(403)	—
Total net revenue	—	403	5,515	(403)	5,515
Cost of revenue:					
Cost of products sold	—	37	1,482	—	1,519
Cost of subscriptions and services	—	5	127	—	132
Intercompany cost of products sold	—	—	32	(32)	—
Amortization of acquisition-related intangible assets	—	—	828	—	828
Restructuring charges	—	—	2	—	2
Total cost of revenue	—	42	2,471	(32)	2,481
Gross margin	—	361	3,044	(371)	3,034
Research and development	—	498	737	—	1,235
Intercompany operating expense	—	—	371	(371)	—
Selling, general and administrative	11	93	306	—	410
Amortization of acquisition-related intangible assets	—	—	475	—	475
Restructuring, impairment and disposal charges	—	3	46	—	49
Total operating expenses	11	594	1,935	(371)	2,169
Operating income (loss)	(11)	(233)	1,109	—	865
Interest expense	(187)	(148)	(27)	—	(362)
Intercompany interest expense	(89)	(40)	(9)	138	—
Other income, net	2	5	34	—	41
Intercompany interest income	—	74	64	(138)	—
Intercompany other income (expense), net	161	—	(161)	—	—
Income (loss) from continuing operations before income taxes and earnings in subsidiaries	(124)	(342)	1,010	—	544
Benefit from income taxes	(84)	(8)	(79)	—	(171)
Income (loss) from continuing operations before earnings in subsidiaries	(40)	(334)	1,089	—	715
Earnings in subsidiaries	755	1,191	—	(1,946)	—
Net income	\$ 715	\$ 857	\$ 1,089	\$ (1,946)	\$ 715
Comprehensive income	\$ 715	\$ 857	\$ 1,089	\$ (1,946)	\$ 715

Condensed Consolidating Statements of Operations and Comprehensive Income

Fiscal Quarter Ended

August 5, 2018

	Parent Guarantor	Subsidiary Issuers	Non- Guarantor Subsidiaries	Eliminations	Consolidated Totals
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(In millions)

Net revenue:					
Products	\$ —	\$ —	\$ 4,783	\$ —	\$ 4,783
Subscriptions and services	—	—	280	—	280
Intercompany revenue	—	526	—	(526)	—
Total net revenue	—	526	5,063	(526)	5,063
Cost of revenue:					
Cost of products sold	—	28	1,628	—	1,656
Cost of subscriptions and services	—	3	21	—	24
Intercompany cost of products sold	—	—	31	(31)	—
Amortization of acquisition-related intangible assets	—	—	762	—	762
Restructuring charges	—	—	2	—	2
Total cost of revenue	—	31	2,444	(31)	2,444
Gross margin	—	495	2,619	(495)	2,619
Research and development	—	394	565	—	959
Intercompany operating expense	—	—	495	(495)	—
Selling, general and administrative	8	64	162	—	234
Amortization of acquisition-related intangible assets	—	—	68	—	68
Restructuring, impairment and disposal charges	—	5	14	—	19
Total operating expenses	8	463	1,304	(495)	1,280
Operating income (loss)	(8)	32	1,315	—	1,339
Interest expense	—	(149)	—	—	(149)
Intercompany interest expense	(15)	(27)	(296)	338	—
Other income, net	—	26	13	—	39
Intercompany interest income	—	311	27	(338)	—
Intercompany other income (expense), net	67	—	(67)	—	—
Income from continuing operations before income taxes and earnings in subsidiaries	44	193	992	—	1,229
Provision for (benefit from) income taxes	(28)	87	(27)	—	32
Income from continuing operations before earnings in subsidiaries	72	106	1,019	—	1,197
Earnings in subsidiaries	1,124	1,018	—	(2,142)	—
Income from continuing operations and earnings in subsidiaries	1,196	1,124	1,019	(2,142)	1,197
Loss from discontinued operations, net of income taxes	—	—	(1)	—	(1)
Net income	\$ 1,196	\$ 1,124	\$ 1,018	\$ (2,142)	\$ 1,196
Comprehensive income	\$ 1,196	\$ 1,124	\$ 1,018	\$ (2,142)	\$ 1,196

Condensed Consolidating Statements of Operations and Comprehensive Income

Three Fiscal Quarters Ended

August 4, 2019

	Parent Guarantor	Subsidiary Issuers	Non- Guarantor Subsidiaries	Eliminations	Consolidated Totals
(In millions)					
Net revenue:					
Products	\$ —	\$ —	\$ 13,470	\$ —	\$ 13,470
Subscriptions and services	—	—	3,351	—	3,351
Intercompany revenue	—	1,220	—	(1,220)	—
Total net revenue	—	1,220	16,821	(1,220)	16,821
Cost of revenue:					
Cost of products sold	—	103	4,427	—	4,530
Cost of subscriptions and services	—	12	393	—	405
Intercompany cost of products sold	—	—	90	(90)	—
Amortization of acquisition-related intangible assets	—	—	2,487	—	2,487
Restructuring charges	—	(7)	75	—	68
Total cost of revenue	—	108	7,472	(90)	7,490
Gross margin	—	1,112	9,349	(1,130)	9,331
Research and development	—	1,408	2,111	—	3,519
Intercompany operating expense	—	—	1,130	(1,130)	—
Selling, general and administrative	82	256	962	—	1,300
Amortization of acquisition-related intangible assets	—	—	1,424	—	1,424
Restructuring, impairment and disposal charges	—	12	686	—	698
Total operating expenses	82	1,676	6,313	(1,130)	6,941
Operating income (loss)	(82)	(564)	3,036	—	2,390
Interest expense	(563)	(443)	(77)	—	(1,083)
Intercompany interest expense	(281)	(123)	(26)	430	—
Other income, net	2	21	149	—	172
Intercompany interest income	—	234	196	(430)	—
Intercompany other income (expense), net	765	—	(765)	—	—
Income (loss) from continuing operations before income taxes and earnings in subsidiaries	(159)	(875)	2,513	—	1,479
Benefit from income taxes	(167)	(195)	(48)	—	(410)
Income (loss) from continuing operations before earnings in subsidiaries	8	(680)	2,561	—	1,889
Earnings in subsidiaries	1,869	3,542	—	(5,411)	—
Income from continuing operations and earnings in subsidiaries	1,877	2,862	2,561	(5,411)	1,889
Loss from discontinued operations, net of income taxes	—	—	(12)	—	(12)
Net income	\$ 1,877	\$ 2,862	\$ 2,549	\$ (5,411)	\$ 1,877
Comprehensive income	\$ 1,877	\$ 2,862	\$ 2,549	\$ (5,411)	\$ 1,877

Condensed Consolidating Statements of Operations and Comprehensive Income

Three Fiscal Quarters Ended

August 5, 2018

	Parent Guarantor	Subsidiary Issuers	Non- Guarantor Subsidiaries	Eliminations	Consolidated Totals
	(In millions)				
Net revenue:					
Products	\$ —	\$ —	\$ 14,640	\$ —	\$ 14,640
Subscriptions and services	—	—	764	—	764
Intercompany revenue	—	1,676	—	(1,676)	—
Total net revenue	—	1,676	15,404	(1,676)	15,404
Cost of revenue:					
Cost of products sold	—	89	5,115	—	5,204
Cost of subscriptions and services	—	9	62	—	71
Intercompany cost of products sold	—	—	102	(102)	—
Purchase accounting effect on inventory	—	—	70	—	70
Amortization of acquisition-related intangible assets	—	—	2,242	—	2,242
Restructuring charges	—	2	17	—	19
Total cost of revenue	—	100	7,608	(102)	7,606
Gross margin	—	1,576	7,796	(1,574)	7,798
Research and development	—	1,207	1,613	—	2,820
Intercompany operating expense	—	—	1,574	(1,574)	—
Selling, general and administrative	10	221	588	—	819
Amortization of acquisition-related intangible assets	—	—	474	—	474
Restructuring, impairment and disposal charges	—	49	153	—	202
Total operating expenses	10	1,477	4,402	(1,574)	4,315
Operating income (loss)	(10)	99	3,394	—	3,483
Interest expense	—	(478)	(2)	—	(480)
Intercompany interest expense	(15)	(167)	(1,389)	1,571	—
Other income, net	—	73	47	—	120
Intercompany interest income	—	1,404	167	(1,571)	—
Intercompany other income (expense), net	67	(57)	(10)	—	—
Income from continuing operations before income taxes and earnings in subsidiaries	42	874	2,207	—	3,123
Benefit from income taxes	(28)	(7,894)	(469)	—	(8,391)
Income from continuing operations before earnings in subsidiaries	70	8,768	2,676	—	11,514
Earnings in subsidiaries	11,074	2,659	—	(13,733)	—
Income from continuing operations and earnings in subsidiaries	11,144	11,427	2,676	(13,733)	11,514
Loss from discontinued operations, net of income taxes	—	(2)	(17)	—	(19)
Net income	11,144	11,425	2,659	(13,733)	11,495
Net income attributable to noncontrolling interest	—	351	—	—	351
Net income attributable to common stock	\$ 11,144	\$ 11,074	\$ 2,659	\$ (13,733)	\$ 11,144
Net income	\$ 11,144	\$ 11,425	\$ 2,659	\$ (13,733)	\$ 11,495
Other comprehensive income	—	—	1	—	1
Comprehensive income	11,144	11,425	2,660	(13,733)	11,496
Comprehensive income attributable to noncontrolling interest	—	351	—	—	351
Comprehensive income attributable to common stock	\$ 11,144	\$ 11,074	\$ 2,660	\$ (13,733)	\$ 11,145

Condensed Consolidating Statements of Cash Flows
Three Fiscal Quarters Ended
August 4, 2019

	Parent Guarantor	Subsidiary Issuers	Non- Guarantor Subsidiaries	Eliminations	Consolidated Totals
(In millions)					
Cash flows from operating activities:					
Net income	\$ 1,877	\$ 2,862	\$ 2,549	\$ (5,411)	\$ 1,877
Adjustments to reconcile net income to net cash provided by (used in) operating activities	(1,521)	(3,842)	5,293	5,411	5,341
Net cash provided by (used in) operating activities	356	(980)	7,842	—	7,218
Cash flows from investing activities:					
Net change in intercompany loans	800	(539)	(6,827)	6,566	—
Acquisitions of businesses, net of cash acquired	(17,865)	—	1,832	—	(16,033)
Proceeds from sales of businesses	—	—	957	—	957
Purchases of property, plant and equipment	—	(121)	(228)	13	(336)
Proceeds from disposals of property, plant and equipment	—	13	82	(13)	82
Purchases of investments	(5)	—	—	—	(5)
Proceeds from sales of investments	—	—	5	—	5
Other	—	—	(4)	—	(4)
Net cash used in investing activities	(17,070)	(647)	(4,183)	6,566	(15,334)
Cash flows from financing activities:					
Net intercompany borrowings	7,167	130	(731)	(6,566)	—
Proceeds from long-term borrowings	28,793	—	—	—	28,793
Repayment of debt	(12,000)	—	—	—	(12,000)
Payment of debt issuance costs	(46)	—	—	—	(46)
Other borrowings	992	—	353	—	1,345
Dividend and distribution payments	(3,181)	—	—	—	(3,181)
Repurchases of common stock - repurchase program	(5,002)	—	—	—	(5,002)
Shares repurchased for tax withholdings on vesting of equity awards	—	(369)	(449)	—	(818)
Issuance of common stock	194	—	—	—	194
Other	—	—	1	—	1
Net cash provided by (used in) financing activities	16,917	(239)	(826)	(6,566)	9,286
Net change in cash and cash equivalents	203	(1,866)	2,833	—	1,170
Cash and cash equivalents at beginning of period	—	2,461	1,831	—	4,292
Cash and cash equivalents at end of period	\$ 203	\$ 595	\$ 4,664	\$ —	\$ 5,462

Condensed Consolidating Statements of Cash Flows
Three Fiscal Quarters Ended
August 5, 2018

	Parent Guarantor	Subsidiary Issuers	Non- Guarantor Subsidiaries	Eliminations	Consolidated Totals
(In millions)					
Cash flows from operating activities:					
Net income	\$ 11,144	\$ 11,425	\$ 2,659	\$ (13,733)	\$ 11,495
Adjustments to reconcile net income to net cash provided by (used in) operating activities	(11,112)	(11,672)	3,572	13,962	(5,250)
Net cash provided by (used in) operating activities	32	(247)	6,231	229	6,245
Cash flows from investing activities:					
Intercompany contributions paid	—	(9,099)	(3,002)	12,101	—
Distributions received from subsidiaries	—	—	1,521	(1,521)	—
Net change in intercompany loans	—	4,140	1,169	(5,309)	—
Acquisitions of businesses, net of cash acquired	—	—	(4,793)	—	(4,793)
Proceeds from sales of businesses	—	—	782	—	782
Purchases of property, plant and equipment	—	(168)	(396)	35	(529)
Proceeds from disposals of property, plant and equipment	—	31	242	(35)	238
Purchases of investments	—	(50)	(199)	—	(249)
Proceeds from sales of investments	—	54	—	—	54
Other	—	(50)	(9)	—	(59)
Net cash used in investing activities	—	(5,142)	(4,685)	5,271	(4,556)
Cash flows from financing activities:					
Intercompany contributions received	—	3,231	9,099	(12,330)	—
Net intercompany borrowings	6,397	(1,141)	(10,565)	5,309	—
Repayment of debt	—	—	(856)	—	(856)
Dividend and distribution payments	(754)	(1,521)	(1,521)	1,521	(2,275)
Repurchases of common stock - repurchase program	(5,725)	—	—	—	(5,725)
Shares repurchased for tax withholdings on vesting of equity awards	—	(12)	(23)	—	(35)
Issuance of common stock	50	—	103	—	153
Other	—	—	(19)	—	(19)
Net cash provided by (used in) financing activities	(32)	557	(3,782)	(5,500)	(8,757)
Net change in cash and cash equivalents	—	(4,832)	(2,236)	—	(7,068)
Cash and cash equivalents at beginning of period	—	7,555	3,649	—	11,204
Cash and cash equivalents at end of period	\$ —	\$ 2,723	\$ 1,413	\$ —	\$ 4,136

14. Subsequent Event
Cash Dividends Declared

On September 11, 2019, our Board of Directors declared a cash dividend of \$2.65 per share, payable on October 1, 2019 to stockholders of record at the close of business on September 23, 2019.

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

The following discussion and analysis of the financial condition and results of operations should be read in conjunction with the unaudited condensed consolidated financial statements and the related notes thereto included elsewhere in this Quarterly Report on Form 10-Q ("Form 10-Q") and the audited consolidated financial statements and notes thereto and management's discussion and analysis of financial condition and results of operations for the fiscal year ended November 4, 2018 ("fiscal year 2018") included in our Annual Report on Form 10-K for fiscal year 2018 ("2018 Annual Report on Form 10-K"). The financial information and results of operations in this Form 10-Q for periods prior to April 4, 2018 relate to our predecessor, Broadcom Limited, a company organized under the laws of the Republic of Singapore ("Broadcom-Singapore"), for accounting and financial reporting purposes and relate to Broadcom Inc. ("Broadcom") for periods after April 4, 2018, the effective date of the redomiciliation of our ultimate parent company to the U.S. (the "Redomiciliation Transaction"). Similarly, unless stated otherwise or the context otherwise requires, references to "Broadcom," "we," "our" and "us" mean Broadcom and its consolidated subsidiaries, from and after the effective time of the Redomiciliation Transaction and, prior to that time, to our predecessor. This Form 10-Q may contain predictions, estimates and other forward-looking statements that involve a number of risks and uncertainties, which are made under the safe harbor provisions of Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). These forward-looking statements may include projections of financial information; statements about historical results that may suggest trends for our business; statements of the plans, strategies and objectives of management for future operations; and statements of expectation or belief regarding future events (including any acquisitions we may make), technology developments, our products, product sales, expenses, liquidity, cash flow and growth rates, customer concentration and relationships, or enforceability of our intellectual property ("IP") rights. Such statements are based on current expectations, estimates, forecasts and projections of our industry performance and macroeconomic conditions, based on management's judgment, beliefs, current trends and market conditions, and involve risks and uncertainties that may cause actual results to differ materially from those contained in the forward-looking statements. We derive most of our forward-looking statements from our operating budgets and forecasts, which are based upon many detailed assumptions. While we believe that our assumptions are reasonable, we caution that it is very difficult to predict the impact of known factors, and it is impossible for us to anticipate all factors that could affect our actual results. Accordingly, we caution you not to place undue reliance on these statements. Important factors that could cause actual results to differ materially from our expectations are disclosed under "Risk Factors" in Part II, Item 1A of this Form 10-Q, and in other documents we file from time to time with the Securities and Exchange Commission (the "SEC"). All of the forward-looking statements in this Form 10-Q are qualified in their entirety by reference to the factors listed above and those discussed under the heading "Risk Factors" below. We undertake no intent or obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise, except as otherwise required by law.

Overview

We are a global technology leader that designs, develops and supplies a broad range of semiconductor and infrastructure software solutions. We develop semiconductor devices with a focus on complex digital and mixed signal complementary metal oxide semiconductor based devices and analog III-V based products. We have a history of innovation and offer thousands of products that are used in end products such as enterprise and data center networking, home connectivity, set-top boxes, broadband access, telecommunication equipment, smartphones and base stations, data center servers and storage systems, factory automation, power generation and alternative energy systems, and electronic displays. Our infrastructure software solutions enable customers to plan, develop, automate, manage and secure applications across mobile, cloud, distributed and mainframe platforms.

Our fiscal year ending November 3, 2019 ("fiscal year 2019") is a 52-week fiscal year, with our first fiscal quarter containing 13 weeks compared to 14 weeks in the first quarter of fiscal year 2018.

Subsequent to the acquisition of CA, Inc. ("CA"), we changed our organizational structure resulting in three reportable segments: semiconductor solutions, infrastructure software and IP licensing. Our semiconductor solutions segment includes all of our product lines, except for those related to our fibre channel storage area networking ("FC SAN") products. Our infrastructure software segment includes our FC SAN products and the CA mainframe and enterprise software solutions. Our IP licensing segment includes the results of our IP licensing business. Prior period segment results have been recast to conform to the current presentation.

Quarterly Highlights

Highlights during the third fiscal quarter ended August 4, 2019 include the following:

- we generated \$2,419 million of cash from operations; and
- we paid \$1,057 million for cash dividends, \$736 million to repurchase shares of our common stock under our stock repurchase program and \$241 million in employee withholding taxes related to net share settled equity awards.

Recent Developments

On August 8, 2019, we entered into an asset purchase agreement (the “Symantec Purchase Agreement”) with Symantec Corporation (“Symantec”) to purchase certain assets and assume certain liabilities of Symantec’s Enterprise Security business (the “Symantec Business”) for approximately \$10.7 billion in cash, on a cash-free, debt-free basis (the “Symantec Asset Purchase”). The Symantec Purchase Agreement provides that, following the closing of the Symantec Asset Purchase, each party will have certain indemnification obligations, including with respect to breaches of covenants and for losses arising from certain assumed or retained liabilities, as applicable. We and Symantec may terminate the agreement if the closing of the Symantec Asset Purchase has not occurred on or before February 8, 2020, subject to a three-month extension in certain circumstances.

In connection with the Symantec Purchase Agreement, we entered into a commitment letter, with certain financial institutions to provide (i) up to \$12 billion in term loans to fund the Symantec Asset Purchase and related working capital needs and (ii) \$3.5 billion in term loans to refinance certain existing senior notes maturing in the first quarter of our fiscal year 2020 (which begins on November 4, 2019).

Acquisitions and Divestitures

Acquisition of CA

On November 5, 2018, we completed the acquisition of CA for aggregate consideration of approximately \$18.8 billion (the “CA Merger”) in exchange for all shares of CA common stock issued and outstanding immediately prior to the CA Merger. In addition, we assumed all outstanding unvested CA equity awards held by continuing employees. All vested in-the-money CA stock options, after giving effect to any acceleration, and all outstanding deferred stock units were cashed out upon completion of the CA Merger. We financed the CA Merger with proceeds of \$18 billion from unsecured term loan facilities, as well as cash on hand of the combined companies.

Divestiture of Veracode, Inc.

On December 31, 2018, we sold Veracode, Inc. (“Veracode”), a wholly-owned subsidiary of CA and provider of application security testing solutions, to Thoma Bravo, LLC for cash consideration of \$950 million, before working capital adjustments.

Critical Accounting Estimates

The preparation of financial statements in accordance with generally accepted accounting principles in the United States requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. We base our estimates and assumptions on current facts, historical experience and various other factors that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the accrual of costs and expenses that are not readily apparent from other sources. Our actual financial results may differ materially and adversely from our estimates. Our critical accounting policies are those that affect our historical financial statements materially and involve difficult, subjective or complex judgments by management. Those policies include revenue recognition, business combinations, valuation of long-lived assets, intangible assets and goodwill, inventory valuation, income taxes, retirement and post-retirement benefit plan assumptions, stock-based compensation, and employee bonus programs.

Refer to Note 2. “Revenue from Contracts with Customers” in Part I, Item 1 of this Form 10-Q for updates on critical accounting estimates related to revenue recognition. There were no other significant changes in our critical accounting policies during the three fiscal quarters ended August 4, 2019 compared to those previously disclosed in “Critical Accounting Estimates” in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included in the 2018 Annual Report on Form 10-K.

Results of Operations
Fiscal Quarter and Three Fiscal Quarters Ended August 4, 2019 Compared to Fiscal Quarter and Three Fiscal Quarters Ended August 5, 2018

The following tables set forth our results of operations for the periods presented:

	Fiscal Quarter Ended			
	August 4, 2019	August 5, 2018	August 4, 2019	August 5, 2018
	(In millions)		(As a percentage of total net revenue)	
Statements of Operations Data:				
Net revenue:				
Products	\$ 4,413	\$ 4,783	80%	94%
Subscriptions and services	1,102	280	20	6
Total net revenue	<u>5,515</u>	<u>5,063</u>	<u>100</u>	<u>100</u>
Cost of revenue:				
Cost of products sold	1,519	1,656	28	33
Cost of subscriptions and services	132	24	2	—
Amortization of acquisition-related intangible assets	828	762	15	15
Restructuring charges	2	2	—	—
Total cost of revenue	<u>2,481</u>	<u>2,444</u>	<u>45</u>	<u>48</u>
Gross margin	3,034	2,619	55	52
Research and development	1,235	959	22	19
Selling, general and administrative	410	234	7	5
Amortization of acquisition-related intangible assets	475	68	9	2
Restructuring, impairment and disposal charges	49	19	1	—
Total operating expenses	<u>2,169</u>	<u>1,280</u>	<u>39</u>	<u>26</u>
Operating income	<u>\$ 865</u>	<u>\$ 1,339</u>	<u>16%</u>	<u>26%</u>

	Three Fiscal Quarters Ended			
	August 4, 2019	August 5, 2018	August 4, 2019	August 5, 2018
	(In millions)		(As a percentage of total net revenue)	
Statements of Operations Data:				
Net revenue:				
Products	\$ 13,470	\$ 14,640	80%	95%
Subscriptions and services	3,351	764	20	5
Total net revenue	16,821	15,404	100	100
Cost of revenue:				
Cost of products sold	4,530	5,204	27	34
Cost of subscriptions and services	405	71	2	—
Purchase accounting effect on inventory	—	70	—	—
Amortization of acquisition-related intangible assets	2,487	2,242	15	15
Restructuring charges	68	19	1	—
Total cost of revenue	7,490	7,606	45	49
Gross margin	9,331	7,798	55	51
Research and development	3,519	2,820	21	19
Selling, general and administrative	1,300	819	8	5
Amortization of acquisition-related intangible assets	1,424	474	8	3
Restructuring, impairment and disposal charges	698	202	4	1
Total operating expenses	6,941	4,315	41	28
Operating income	\$ 2,390	\$ 3,483	14%	23%

Net Revenue

Historically, a relatively small number of customers have accounted for a significant portion of our net revenue. Direct sales to WT Microelectronics, a distributor, accounted for 16% and 15% of our net revenue for the fiscal quarter and three fiscal quarters ended August 4, 2019, respectively. No customer accounted for 10% or more of our net revenue for the fiscal quarter ended August 5, 2018. Foxconn Technology Group companies (including Hon Hai Precision Industries), contract manufacturers, accounted for 11% of our net revenue for the three fiscal quarters ended August 5, 2018. We believe aggregate sales to our top five end customers, through all channels, accounted for approximately 33% and 34% of our net revenue for the fiscal quarter and three fiscal quarters ended August 4, 2019, respectively, and approximately 38% and 42% of our net revenue for the fiscal quarter and three fiscal quarters ended August 5, 2018, respectively. We believe aggregate sales to Apple Inc., through all channels, accounted for approximately 20% of our net revenue for each of the fiscal quarter and three fiscal quarters ended August 4, 2019 and for the fiscal quarter ended August 5, 2018, and more than 20% for the three fiscal quarters ended August 5, 2018. We expect to continue to experience significant customer concentration in future periods. The loss of, or significant decrease in demand from, any of our top five end customers could have a material adverse effect on our business, results of operations and financial condition.

From time to time, some key customers of our semiconductor products place large orders or delay orders, causing our quarterly net revenue to fluctuate significantly. This is particularly true of our wireless products as fluctuations may be magnified by the launches of, and seasonal variations in sales of mobile handsets.

The following tables set forth net revenue by segment for the periods presented:

Net Revenue by Segment	Fiscal Quarter Ended				Three Fiscal Quarters Ended			
	August 4, 2019	August 5, 2018	\$ Change	% Change	August 4, 2019	August 5, 2018	\$ Change	% Change
(In millions, except for percentages)								
Semiconductor solutions	\$ 4,353	\$ 4,568	\$ (215)	(5)%	\$ 12,815	\$ 14,060	\$ (1,245)	(9)%
Infrastructure software	1,140	492	648	132 %	3,956	1,267	2,689	212 %
IP licensing	22	3	19	633 %	50	77	(27)	(35)%
Total net revenue	<u>\$ 5,515</u>	<u>\$ 5,063</u>	<u>\$ 452</u>	9 %	<u>\$ 16,821</u>	<u>\$ 15,404</u>	<u>\$ 1,417</u>	9 %
					Fiscal Quarter Ended		Three Fiscal Quarters Ended	
					August 4, 2019	August 5, 2018	August 4, 2019	August 5, 2018
% of Net Revenue by Segment								
Semiconductor solutions					79%	90%	76%	92%
Infrastructure software					21	10	24	8
IP licensing					—	—	—	—
Total net revenue					<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

Fiscal quarter ended August 4, 2019 compared to corresponding prior year period. Net revenue from our semiconductor solutions segment has been negatively impacted by a broad-based slowdown in demand for semiconductor products worldwide and has decreased primarily due to lower demand for our set-top box, broadband, optocoupler and solid-state drive controller products, as well as lower demand for wireless content in mobile handsets. These decreases were partially offset by higher demand for our networking products. Net revenue from our infrastructure software segment increased primarily due to contributions from our CA mainframe and enterprise software products, offset by lower demand for our FC SAN products.

Three fiscal quarters ended August 4, 2019 compared to corresponding prior year period. Net revenue from our semiconductor solutions segment decreased primarily due to lower demand for our wireless content in mobile handsets, as well as lower demand for our broadband, server storage connectivity, optocoupler and set-top box products. These decreases were partially offset by higher demand for our networking products. Additionally, in the first quarter of fiscal year 2018, we experienced a later than typical new mobile handset ramp with a major customer, which resulted in higher shipments in that quarter. We expect the effects of export restrictions on one of our largest customers to continue to adversely impact our revenue in the last quarter of fiscal year 2019. Net revenue from our infrastructure software segment increased primarily due to contributions from our CA mainframe and enterprise software products, as well as higher demand for our FC SAN products.

Gross Margin

Gross margin was \$3,034 million for the fiscal quarter ended August 4, 2019 compared to \$2,619 million for the fiscal quarter ended August 5, 2018. Gross margin was \$9,331 million for the three fiscal quarters ended August 4, 2019 compared to \$7,798 million for the three fiscal quarters ended August 5, 2018. As a percentage of net revenue, gross margin was 55% and 52% for the fiscal quarters ended August 4, 2019 and August 5, 2018, respectively, and 55% and 51% for the three fiscal quarters ended August 4, 2019 and August 5, 2018, respectively.

The increase in gross margin for the fiscal quarter and three fiscal quarters ended August 4, 2019, was primarily due to contributions from our CA mainframe and enterprise software products and favorable product mix within our semiconductor solutions segment. The increase in gross margin for the three fiscal quarters ended August 4, 2019 was also due to favorable gross margin impact from our FC SAN products. These increases were partially offset by higher amortization of acquisition-related intangible assets as a result of the CA Merger and higher stock-based compensation expense. The increase in gross margin for the three fiscal quarters ended August 4, 2019 was partially offset by higher restructuring charges as a result of the CA Merger.

Research and Development Expense

Research and development expense increased \$276 million, or 29%, and \$699 million, or 25%, for the fiscal quarter and three fiscal quarters ended August 4, 2019, respectively, compared to the prior year fiscal periods. These increases were primarily due to the acquisition of CA and higher stock-based compensation expense. The increases in stock-based compensation expense primarily resulted from the issuance of multi-year equity grants of time- and market-based restricted

stock units (the “Multi-Year Equity Awards”) in the first quarter of fiscal year 2019, the impact of the change from annual to quarterly vesting of equity awards and assumed CA equity awards. Our stock-based compensation expense for the fiscal year 2019 periods included employee equity awards with higher grant-date fair values than those in the corresponding fiscal year 2018 periods, which also contributed to the increase.

Selling, General and Administrative Expense

Selling, general and administrative expense increased \$176 million, or 75%, and \$481 million, or 59%, for the fiscal quarter and three fiscal quarters ended August 4, 2019, respectively, compared to the prior year fiscal periods. These increases were primarily due to the acquisition of CA and stock-based compensation expense. The increases in stock-based compensation expense primarily resulted from the issuance of the Multi-Year Equity Awards, the impact of the change from annual to quarterly vesting of equity awards and assumed CA equity awards. Our stock-based compensation expense for the fiscal year 2019 periods included employee equity awards with higher grant-date fair values than those in the corresponding fiscal year 2018 periods, which also contributed to the increase.

Amortization of Acquisition-Related Intangible Assets

Amortization of acquisition-related intangible assets recognized in operating expenses increased \$407 million and \$950 million for the fiscal quarter and three fiscal quarters ended August 4, 2019, respectively, compared to the prior year fiscal periods. The increases were primarily due to amortization of intangible assets acquired in the CA Merger.

Restructuring, Impairment and Disposal Charges

Restructuring, impairment and disposal charges recognized in operating expenses increased \$30 million and \$496 million for the fiscal quarter and three fiscal quarters ended August 4, 2019, respectively, compared to the prior year fiscal periods. The increases were primarily due to employee termination costs, as well as lease and other exit costs resulting from the CA Merger. We expect to incur additional restructuring charges in future periods as a result of the CA Merger and any future acquisitions we may make. See Note 12. “Restructuring, Impairment and Disposal Charges” in Part I, Item 1 of this Form 10-Q for more details.

Segment Operating Results

Operating Income (Loss) by Segment	Fiscal Quarter Ended				Three Fiscal Quarters Ended			
	August 4, 2019	August 5, 2018	\$ Change	% Change	August 4, 2019	August 5, 2018	\$ Change	% Change
(In millions, except for percentages)								
Semiconductor solutions	\$ 2,081	\$ 2,192	\$ (111)	(5)%	\$ 6,018	\$ 6,644	\$ (626)	(9)%
Infrastructure software	829	352	477	136 %	2,899	878	2,021	230 %
IP licensing	—	(11)	11	(100)%	(6)	30	(36)	(120)%
Unallocated expenses	(2,045)	(1,194)	(851)	71 %	(6,521)	(4,069)	(2,452)	60 %
Total operating income	\$ 865	\$ 1,339	\$ (474)	(35)%	\$ 2,390	\$ 3,483	\$ (1,093)	(31)%

Fiscal quarter ended August 4, 2019 compared to corresponding prior year period. Operating income from our semiconductor solutions segment decreased primarily due to lower demand in our set-top box, optocoupler, broadband, and solid-state controller products, as well as lower wireless content in mobile handsets. These decreases were partially offset by higher demand for our networking products. Operating income from our infrastructure software segment increased primarily due to contributions from our CA mainframe and enterprise software products, offset by a decrease in demand for our FC SAN products.

Three fiscal quarters ended August 4, 2019 compared to corresponding prior year period. Operating income from our semiconductor solutions segment decreased primarily due to lower demand in our wireless content in mobile handsets, as well as lower demand for our optocoupler, broadband, and server storage connectivity products. These decreases were partially offset by higher demand for our networking products. Additionally, in the first quarter of fiscal year 2018, we experienced a later than typical new mobile handset ramp with a major customer, which resulted in higher shipments in that quarter. Operating income from our infrastructure software segment increased primarily due to contributions from our CA mainframe and enterprise software products, as well as an increase in demand for our FC SAN products.

Unallocated expenses include amortization of acquisition-related intangible assets; stock-based compensation expense; acquisition-related costs; restructuring, impairment and disposal charges; and other costs that are not used in evaluating the results of, or in allocating resources to, our segments. Unallocated expenses increased 71% and 60% for the fiscal quarter and three fiscal quarters ended August 4, 2019, respectively, compared to the prior year fiscal periods. The increases were primarily due to higher amortization of acquisition-related intangible assets, acquisition-related costs and restructuring,

impairment and disposal charges. These increases were primarily due to the CA Merger. Unallocated expenses also increased due to stock-based compensation expense primarily due to the issuance of the Multi-Year Equity Awards and the impact of the change from annual to quarterly vesting of certain time-based equity awards.

Non-Operating Income and Expenses

Interest expense. Interest expense was \$362 million and \$1,083 million for the fiscal quarter and three fiscal quarters ended August 4, 2019, respectively, compared to \$149 million and \$480 million for the fiscal quarter and three fiscal quarters ended August 5, 2018, respectively. These increases were primarily due to interest on the debt we incurred to finance the CA Merger in the first quarter of fiscal year 2019. We expect to incur additional interest expense in future periods as a result of term loan indebtedness associated with any future acquisitions, including the pending acquisition of the Symantec Business.

Other income, net. Other income, net includes interest income, gains or losses on investments, foreign currency remeasurement and other miscellaneous items. Other income, net was \$41 million and \$172 million for the fiscal quarter and three fiscal quarters ended August 4, 2019 compared to \$39 million and \$120 million for the fiscal quarter and three fiscal quarters ended August 5, 2018. These increases were primarily due to increases in unrealized gains on investments.

Provision for (benefit from) income taxes. For the fiscal quarter and three fiscal quarters ended August 4, 2019, our benefit from income taxes was \$171 million and \$410 million, respectively, compared to a provision for income taxes of \$32 million and a benefit from income taxes of \$8,391 million for the fiscal quarter and three fiscal quarters ended August 5, 2018, respectively. The decrease in tax benefit for the three fiscal quarters ended August 4, 2019 was primarily due to tax effects of a change in law, resulting from the enactment of the U.S. Tax Cuts and Jobs Act (the "2017 Tax Reform Act") in the prior year fiscal period.

The benefit from income taxes for the fiscal quarter and three fiscal quarters ended August 4, 2019, was primarily due to a benefit from deferred tax remeasurement in a foreign jurisdiction, a tax benefit related to internal reorganizations, and excess tax benefits from stock-based awards that vested or were exercised during the period. The current year fiscal periods also include the impact of several provisions of the 2017 Tax Reform Act that take effect for us for the first time in fiscal year 2019, including a new minimum tax on certain foreign earnings, known as Global Intangible Low-taxed Income ("GILTI"), a new incentive for foreign-derived intangible income, changes to the limitation on the deductibility of certain executive compensation, and new limitations on the deductibility of interest expense. We have elected to account for GILTI as a period cost rather than on a deferred basis.

Additionally, for the three fiscal quarters ended August 4, 2019, our benefit from income taxes was due to recognition of gross uncertain tax benefits as a result of audit settlements, lapses of statutes of limitations and a partial release of our valuation allowance resulting from the CA Merger, partially offset by a change in estimate of our fiscal year 2018 provision resulting from regulations issued related to the 2017 Tax Reform Act.

The provision for income taxes for the fiscal quarter ended August 5, 2018 was primarily due to profits from continuing operations, partially offset by a net discrete benefit which included excess tax benefits from stock-based awards that vested or were exercised during the period.

The benefit from income taxes for the three fiscal quarters ended August 5, 2018 was principally a result of provisional income tax benefits realized from the enactment of the 2017 Tax Reform Act, signed into law on December 22, 2017 and the Redomiciliation Transaction. The 2017 Tax Reform Act made significant changes to the U.S. Internal Revenue Code, including, but not limited to, a decrease in the U.S. corporate tax rate from 35% to 21% effective for tax years beginning after December 31, 2017, the transition of U.S. international taxation from a worldwide tax system to a participation exemption regime, and the transition tax on the mandatory deemed repatriation of accumulated non-U.S. earnings of U.S. controlled foreign corporations as of December 31, 2017.

Liquidity and Capital Resources

The following section discusses our principal liquidity and capital resources as well as our principal liquidity requirements and uses of cash. Our cash and cash equivalents are maintained in highly liquid investments with remaining maturities of 90 days or less at the time of purchase. We believe our cash equivalents are liquid and accessible.

Our primary sources of liquidity as of August 4, 2019 consisted of: (i) \$5,462 million in cash and cash equivalents, (ii) cash we expect to generate from operations, (iii) available capacity under our \$5 billion revolving credit facility (the "Revolving Facility"), and (iv) available capacity under our \$2 billion commercial paper program. In addition, we may also generate cash from the sale of assets from time to time.

Our short-term and long-term liquidity requirements primarily arise from: (i) business acquisitions and investments we may make from time to time, including our pending acquisition of the Symantec Business, (ii) working capital requirements, (iii) research and development and capital expenditure needs, (iv) cash dividend payments (if and when declared by our Board of Directors), (v) interest and principal payments related to outstanding indebtedness, (vi) payment of income taxes, including taxes resulting from the intercompany transfer of IP, and (vii) stock repurchases, if any. In April 2018, we began settling withholding tax amounts due upon vesting of compensatory equity awards using cash on hand, and withholding from the grant recipient that number of shares having a value equivalent to the withholding tax amount ("Tax Shares"). This net settlement method reduces the dilutive effects of such awards as they vest. Previously, Tax Shares were issued and mandatorily sold into the market, and the cash proceeds were used to pay such withholding tax amounts. This change results in an increased use of our cash as our outstanding equity awards vest. Our ability to fund these requirements will depend, in part, on our future cash flows, which are determined by our future operating performance and, therefore, subject to prevailing global macroeconomic conditions and financial, business and other factors, some of which are beyond our control.

Our debt and liquidity needs will also increase as a result of the pending acquisition of the Symantec Business. We intend to fund the estimated \$10.7 billion of cash consideration needed for that transaction with new debt financing. However, we expect our capital expenditures for fiscal year 2019 will be lower than fiscal year 2018.

We believe that our cash and cash equivalents on hand and cash flows from operations, combined with current borrowing availability under the Revolving Facility and our commercial paper program, as well as our committed debt funding related to the pending acquisition of the Symantec Business, will provide sufficient liquidity to operate our business and fund our current and assumed obligations for at least the next 12 months.

From time to time, we engage in discussions with third parties regarding potential acquisitions of, or investments in, businesses, technologies and product lines. Any such transaction, or evaluation of potential transactions, could require significant use of our cash and cash equivalents, or require us to increase our borrowings to fund such transactions. If we do not have sufficient cash to fund our operations or finance growth opportunities, including acquisitions, or unanticipated capital expenditures, our business and financial condition could suffer. In such circumstances, we may also seek to obtain new debt or equity financing. However, we cannot assure you that such additional financing will be available on terms acceptable to us or at all. Our ability to service our senior unsecured notes and any other indebtedness we may incur will depend on our ability to generate cash in the future. We may also elect to sell additional debt or equity securities for reasons other than those specified above.

Working Capital

Working capital decreased to \$2,616 million at August 4, 2019 from \$6,769 million at November 4, 2018. The decrease was attributable to the following:

- Current portion of long-term debt increased to \$3,537 million at August 4, 2019 due to certain debt instruments becoming due within the next twelve months.
- Other current liabilities increased to \$3,174 million at August 4, 2019 from \$812 million at November 4, 2018, primarily due to the CA Merger and increases in contract liabilities from adoption of Accounting Standard Codification Topic 606 ("Topic 606"), notional pooling liabilities, restructuring reserves, taxes payable and interest payable.
- Accounts payable increased to \$996 million at August 4, 2019 from \$811 million at November 4, 2018, primarily due to timing of vendor payments and increases due to the CA Merger.
- Inventory decreased to \$1,091 million at August 4, 2019 from \$1,124 million at November 4, 2018 primarily due to consumption to support customer shipments.

These decreases in working capital were offset in part by the following:

- Cash and cash equivalents increased to \$5,462 million at August 4, 2019 from \$4,292 million at November 4, 2018, primarily due to \$30,138 million in proceeds from borrowings, \$7,218 million in net cash provided by operating activities and \$957 million in proceeds from the sale of Veracode, partially offset by \$16,027 million paid for the CA Merger, \$12 billion of debt repayments, \$5,002 million of common stock repurchases and \$3,181 million of dividend payments.
- Other current assets increased to \$806 million at August 4, 2019 from \$366 million at November 4, 2018, primarily due to assets acquired in the CA Merger and increases in contract assets from adoption of Topic 606 and prepaid taxes.
- Accounts receivable increased to \$3,539 million at August 4, 2019 from \$3,325 million at November 4, 2018 primarily due to revenue linearity and an increase due to the CA Merger, partially offset by \$375 million of receivables sold through factoring arrangements.

- Employee compensation and benefits liabilities decreased to \$575 million at August 4, 2019 from \$715 million at November 4, 2018 primarily due to the timing of employee bonus plan payments, partially offset by increases attributable to the CA Merger.

Working capital decreased to \$6,508 million at August 5, 2018 from \$13,294 million at October 29, 2017. The decrease was attributable to the following:

- Our cash and cash equivalents decreased to \$4,136 million at August 5, 2018 from \$11,204 million at October 29, 2017, primarily due to \$5,725 million of common stock repurchases, \$4,780 million paid for Brocade Communications Systems, Inc. ("Brocade"), and \$2,275 million of dividend and distribution payments, partially offset by \$6,245 million in net cash provided by operating activities.
- Other current assets decreased to \$333 million at August 5, 2018 from \$724 million at October 29, 2017, primarily due to lower prepaid expenses and prepaid taxes as a result of the 2017 Tax Reform Act.
- Inventory decreased to \$1,216 million at August 5, 2018 from \$1,447 million at October 29, 2017, primarily due to the timing of a major customer's new handset ramp.

These decreases in working capital were offset in part by the following:

- Accounts receivable increased to \$3,010 million at August 5, 2018 from \$2,448 million at October 29, 2017, primarily due to Brocade FC SAN revenue. Days sales outstanding increased to 54 days at August 5, 2018 compared to 46 days at October 29, 2017, driven by higher revenue in the last month of the fiscal quarter ended August 5, 2018 and a temporary extension of payment terms to support the Brocade FC SAN distributor consolidation. This increase was partially offset by \$305 million of receivables sold through factoring arrangements.
- Accounts payable decreased to \$785 million at August 5, 2018 from \$1,105 million at October 29, 2017, primarily due to timing of vendor payments.

Capital Returns

In April 2018, our Board of Directors authorized the repurchase of up to \$12 billion of our common stock from time to time on or prior to November 3, 2019, the end of our fiscal year 2019. On December 5, 2018, our Board of Directors authorized an increase to the stock repurchase program to a total of \$18 billion of our common stock on or prior to the end of our fiscal year 2019.

During the three fiscal quarters ended August 4, 2019, we repurchased and retired approximately 19 million shares of our common stock at a weighted average price of \$256.79 under this stock repurchase program. As of August 4, 2019, \$5,740 million of the current authorization remained available under our stock repurchase program.

Repurchases under our stock repurchase program may be effected through a variety of methods, including open market or privately negotiated purchases. The timing and number of shares of common stock repurchased will depend on a variety of factors, including price, general business and market conditions and alternative investment opportunities. We are not obligated to repurchase any specific number of shares of common stock, and we may suspend or discontinue our stock repurchase program at any time.

	Three Fiscal Quarters Ended	
	August 4, 2019	August 5, 2018
	(In millions, except per share data)	
Cash dividends and distributions declared and paid per share/unit	\$ 7.95	\$ 5.25
Cash dividends and distributions paid	\$ 3,181	\$ 2,275
Stock repurchases	\$ 5,002	\$ 5,725

In addition, during the three fiscal quarters ended August 4, 2019, we paid approximately \$818 million in employee withholding taxes due upon the vesting of, and related to net settled equity awards. We withheld approximately 3 million shares of common stock from employees in connection with such net share settlements.

Cash Flows

	Three Fiscal Quarters Ended	
	August 4, 2019	August 5, 2018
	(In millions)	
Net cash provided by operating activities	\$ 7,218	\$ 6,245
Net cash used in investing activities	(15,334)	(4,556)
Net cash provided by (used in) financing activities	9,286	(8,757)
Net change in cash and cash equivalents	<u>\$ 1,170</u>	<u>\$ (7,068)</u>

Operating Activities

Cash provided by operating activities primarily consisted of net income adjusted for certain non-cash items and changes in assets and liabilities. The \$973 million increase in cash provided by operations during the three fiscal quarters ended August 4, 2019 compared to the three fiscal quarters ended August 5, 2018 was due to the impact of net income and changes in assets and liabilities, partially offset by adjustments for non-cash items. Net income in each period reflects significant non-cash benefits from income taxes. For the three fiscal quarters ended August 4, 2019, the non-cash income tax benefit of \$708 million principally resulted from the recognition of uncertain tax benefits due to audit settlements and lapses of statutes of limitations as well as the release of a portion of our valuation allowance as a result of the CA Merger. The non-cash income tax benefit for the three fiscal quarters ended August 5, 2018 principally resulted from the enactment of the 2017 Tax Reform Act. These non-cash benefits are included in the deferred taxes and other non-cash taxes line in the condensed consolidated statement of cash flows. Other non-cash adjustments to net income during the three fiscal quarters ended August 4, 2019, as compared to the three fiscal quarters ended August 5, 2018, primarily included increases in amortization of intangible assets, stock-based compensation and restructuring charges. In addition, cash provided by operating activities in each period was affected by changes in working capital, as discussed above.

Investing Activities

Cash used in investing activities primarily consisted of cash used for acquisitions, capital expenditures and investments, partially offset by proceeds from sales of businesses and assets. The \$10,778 million increase in cash used in investing activities during the three fiscal quarters ended August 4, 2019 compared to the three fiscal quarters ended August 5, 2018 was primarily related to \$16,027 million paid for the CA Merger in the three fiscal quarters ended August 4, 2019 compared to \$4,780 million paid for the acquisition of Brocade in the three fiscal quarters ended August 5, 2018, partially offset by decreases of \$244 million in purchases of investments and \$193 million in capital expenditures and an increase of \$175 million in proceeds from sales of businesses.

Financing Activities

Cash from financing activities primarily consisted of net proceeds and payments related to our long-term-debt, dividend and distribution payments, stock repurchases, and the issuance of common stock pursuant to our employee equity incentive award plans. The \$18,043 million increase in cash provided by financing activities during the three fiscal quarters ended August 4, 2019 compared to the three fiscal quarters ended August 5, 2018 was primarily due to an increase of \$18,994 million in net proceeds from borrowings, partially offset by an increase of \$60 million in common stock repurchases and an increase of \$906 million of dividend payments.

Indebtedness

See Note 7. "Borrowings" in Part I, Item 1 of this Form 10-Q for additional information related to our indebtedness.

Contractual Commitments

See Note 11. "Commitments and Contingencies" in Part I, Item 1 of this Form 10-Q.

Off-Balance Sheet Arrangements

We had no material off-balance sheet arrangements at August 4, 2019 as defined in Item 303(a)(4)(ii) of Regulation S-K under the Exchange Act.

Indemnifications

See Note 11. "Commitments and Contingencies" in Part I, Item 1 of this Form 10-Q.

Accounting Changes and Recent Accounting Standards

For a description of accounting changes and recent accounting standards, including the expected dates of adoption and estimated effects, if any, in our condensed consolidated financial statements, see Note 1. "Overview, Basis of Presentation and Significant Accounting Policies" in Part I, Item 1 of this Form 10-Q.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no material changes in market risk from the information presented in Part II, Item 7A. "Quantitative and Qualitative Disclosures About Market Risk," in the 2018 Annual Report on Form 10-K other than those noted below.

Interest Rate Risk

At August 4, 2019, we had \$6 billion of outstanding term loans, which are subject to floating interest rates. A 1% change in the interest rate would affect interest expense on our term loans by approximately \$61 million over the next 12 months.

Item 4. Controls and Procedures

(a) *Evaluation of Disclosure Controls and Procedures.* Our management, with the participation of our Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), evaluated the effectiveness of our disclosure controls and procedures as of August 4, 2019. We maintain disclosure controls and procedures that are intended to ensure that the information required to be disclosed in our Exchange Act filings is properly and timely recorded, processed, summarized and reported. These disclosure controls and procedures are also intended to ensure that information is accumulated and communicated to management, including our CEO and CFO, as appropriate, to allow timely decisions regarding required disclosures. Based on this evaluation, our CEO and CFO concluded that, as of August 4, 2019, our disclosure controls and procedures were effective at the reasonable assurance level.

In designing and evaluating our disclosure controls and procedures, our management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their desired control objectives, and our management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

(b) *Changes in Internal Control over Financial Reporting.* There was no change in our internal control over financial reporting identified in connection with the evaluation required by Rules 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the period covered by this report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II — OTHER INFORMATION

Item 1. Legal Proceedings

The information set forth under Note 11. “Commitments and Contingencies” included in Part I, Item 1 of this Form 10-Q, is incorporated herein by reference. For an additional discussion of certain risks associated with legal proceedings, see “Risk Factors” immediately below.

Item 1A. Risk Factors

As noted above, Broadcom is the successor to Broadcom-Singapore. Following the Redomiciliation Transaction, after the close of market trading on April 4, 2018, Broadcom-Singapore became an indirect wholly-owned subsidiary of Broadcom.

Our business, operations and financial results are subject to various risks and uncertainties, including those described below, that could adversely affect our business, financial condition, results of operations, cash flows, and the trading price of our common stock. The following important factors, among others, could cause our actual results to differ materially from historical results and those expressed in forward-looking statements made by us or on our behalf in filings with the SEC, press releases, communications with investors and oral statements.

Risks Related to Our Business

The majority of our sales come from a small number of customers and a reduction in demand or loss of one or more of our significant customers may adversely affect our business.

We are dependent on a small number of end customers, original equipment manufacturers (“OEMs”), their respective contract manufacturers, and certain distributors for a majority of our business, revenue and results of operations. For the three fiscal quarters ended August 4, 2019, sales to distributors accounted for 44% of our net revenue. Direct sales to WT Microelectronics accounted for 15% of our net revenue for the three fiscal quarters ended August 4, 2019. We believe our aggregate sales to our top five end customers, through all channels, accounted for approximately 33% and 34% of our net revenue for the fiscal quarter and three fiscal quarters ended August 4, 2019, respectively. We believe aggregate sales to Apple Inc., through all channels, accounted for approximately 20% of our net revenue for each of the fiscal quarter and three fiscal quarters ended August 4, 2019. This customer concentration increases the risk of quarterly fluctuations in our operating results and our sensitivity to any material, adverse developments experienced by our significant customers.

In addition, our top customers’ purchasing power has, in some cases, given them the ability to make greater demands on us with regard to pricing and contractual terms in general. We expect this trend to continue, which may adversely affect our gross margin on certain products and, should we fail to comply with such terms, might also result in substantial liability that could harm our business, financial condition and results of operations.

Moreover, the terms and conditions under which we do business with most of our customers generally do not include commitments by those customers to purchase any specific quantities of products from us. Even in those instances where we enter into an arrangement under which a customer agrees to source an agreed portion of its product needs from us (provided that we are able to meet specified development, supply and quality commitments), the arrangement often includes pricing schedules or methodologies that apply regardless of the volume of products purchased, and those customers may not purchase the amount of product we expect. As a result, we may not generate the amount of revenue or the level of profitability we expect under such arrangements. If we do not perform under these arrangements, we could also be liable for significant monetary damages. In addition, we are selling an increasing amount of our products through a limited number of distributors, which may expose us to additional customer concentration and related credit risks.

The loss of, or any substantial reduction in sales to, any of our major customers could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Dependence on contract manufacturing and suppliers of critical components within our supply chain may adversely affect our ability to bring products to market, damage our reputation and adversely affect our results of operations.

We operate a primarily outsourced manufacturing business model that principally utilizes third-party wafer foundry and module assembly and test capabilities, referred to as contract manufacturers. Our products require semiconductor wafer manufacturers with state-of-the-art fabrication equipment and techniques, and most of our products are designed to be manufactured in a specific process, typically at one particular fab or foundry, either our own or with a particular contract manufacturer.

We depend on our contract manufacturers to allocate sufficient manufacturing capacity to meet our needs, to produce products of acceptable quality at acceptable yields, and to deliver those products to us on a timely basis. Although we often have long-term contracts with our contract manufacturers, we do not generally have long-term capacity commitments. We obtain substantially all of our manufacturing services on a purchase order basis and our contract manufacturers have no

obligation to provide us with any specified minimum quantities of product. Further, from time to time, our contract manufacturers will cease to, or will become unable to, manufacture a component for us. As the lead time needed to identify, qualify and establish reliable production at acceptable yields, with a new contract manufacturer is typically lengthy, there is often no readily available alternative source for the wafers or other contract manufacturing services we require, and there may be other constraints on our ability to change contract manufacturers. In addition, qualifying such contract manufacturers is often expensive, and they may not produce products as cost-effectively as our current suppliers, which would reduce our margins. In any such circumstances, we may be unable to meet our customer demand and may fail to meet our contractual obligations. This could result in the payment of significant damages by us to our customers, and our net revenue could decline, adversely affecting our business, financial condition and results of operations.

We utilize Taiwan Semiconductor Manufacturing Company Limited (“TSMC”) to produce the substantial majority of our semiconductor wafers. TSMC manufactured approximately 85% of the wafers manufactured by our contract manufacturers during the three fiscal quarters ended August 4, 2019. Our wafer requirements represent a significant portion of the total production capacity of TSMC. However, TSMC also fabricates wafers for other companies, including certain of our competitors, and could choose to prioritize capacity for other customers or reduce or eliminate deliveries to us on short notice, or raise their prices to us, all of which could harm our business, results of operations and gross margin.

Any substantial disruption in TSMC’s supply of wafers to us, or in the other contract manufacturing services that we utilize, as a result of a natural disaster, political unrest, military conflict, economic instability, equipment failure or other cause, could materially harm our business, customer relationships and results of operations.

We also depend on our contract manufacturers to timely develop new, advanced manufacturing processes, including, in the case of wafer fabrication, transitions to smaller geometry process technologies. If these new processes are not timely developed or we do not have sufficient access to them, we may be unable to maintain or increase our manufacturing efficiency to the same extent as our competitors or to deliver products to our customers, which could result in loss of revenue opportunities and damage our relationships with our customers.

Adverse global economic conditions could have a negative effect on our business, results of operations and financial condition and liquidity.

A general slowdown in the global economy or in a particular region or industry, an increase in trade tensions with U.S. trading partners or a tightening of the credit markets could negatively impact our business, financial condition and liquidity. Adverse global economic conditions have from time to time caused or exacerbated significant slowdowns in the industries and markets in which we operate, which have adversely affected our business and results of operations. In recent periods, investor and customer concerns about the global economic outlook have adversely affected market and business conditions in general. Macroeconomic weakness and uncertainty also make it more difficult for us to accurately forecast revenue, gross margin and expenses, and may make it more difficult to raise or refinance debt. An escalation of recent trade tensions between the U.S. and China has resulted in trade restrictions and increased tariffs that harm our ability to participate in Chinese markets or compete effectively with Chinese companies. Sustained uncertainty about, or worsening of, current global economic conditions and further escalation of trade tensions between the U.S. and its trading partners, especially China, could result in a global economic slowdown and long-term changes to global trade. Such events may also (i) cause our customers and consumers to reduce, delay or forgo technology spending, (ii) result in customers sourcing products from other suppliers not subject to such restrictions or tariffs, (iii) lead to the insolvency or consolidation of key suppliers and customers, and (iv) intensify pricing pressures. Any or all of these factors could negatively affect demand for our products and our business, financial condition and results of operations.

We may pursue acquisitions, investments, joint ventures and dispositions, which could adversely affect our results of operations.

Our growth strategy includes the acquisition of, and investment in, businesses that offer complementary products, services and technologies, augment our market coverage, or enhance our technological capabilities, such as our pending acquisition of the Symantec Business. We may also enter into strategic alliances or joint ventures to achieve these goals. We may not be able to identify suitable acquisition, investment, alliance, or joint venture opportunities, or to consummate any such transactions. In addition, our original estimates and assumptions used in assessing any transaction may be inaccurate and we may not realize the expected financial or strategic benefits of any such transaction, including the pending acquisition of the Symantec Business.

Any acquisitions, including the pending acquisition of the Symantec Business, we may undertake involve risks and uncertainties, such as unexpected delays, challenges and related expenses, and diversion of management’s attention. For example, regulatory approvals required in connection with an acquisition, such as those from the U.S. Department of Justice, the U.S. Federal Trade Commission (“FTC”), the European Commission Directorate-General for Competition or, where applicable, the China State Administration for Market Regulation, may take longer than anticipated to obtain, may not be

obtained at all or may contain materially burdensome conditions. If any conditions or changes to the structure of an acquisition are required to obtain these regulatory approvals, they may have the effect of jeopardizing or delaying completion of such acquisition or reducing our anticipated benefits of the transaction. If we agree to any material conditions in order to obtain any such approvals or if we fail to comply with any such conditions, our business and results of operations may be adversely affected. The acquisition of the Symantec Business is structured as an asset purchase and is also subject to additional risks, including our ability to effectively identify and timely transfer the assets and liabilities of the Symantec Business, the need to assign or novate Symantec Business customer contracts from Symantec and its subsidiaries to us, many of which require customer consent that may be withheld or delayed, the need to identify and directly hire Symantec Business employees, and the need to identify, manage and coordinate the performance of Symantec personnel who will not be our employees, but who will be required to provide services to us on a transitional basis under a transition services agreement following the closing of the transaction. If we fail to complete an acquisition, our stock price could fall to the extent the price reflects an assumption that such acquisition will be completed, and we may incur significant unrecoverable costs. Further, the failure to consummate an acquisition may result in negative publicity and adversely impact our relationships with our customers, vendors and employees. We may become subject to legal proceedings relating to the acquisition and the integration of acquired businesses may not be successful.

The integration of an acquired business involves significant challenges, including, among others: potential disruption of our business, diversion of management's attention from daily operations and the pursuit of other opportunities; incurring significant restructuring charges and amortization expense, assuming liabilities and ongoing lawsuits, potential impairment of acquired goodwill and other intangible assets, and increasing our expenses and working capital requirements; and implementing our management information systems, operating systems and internal controls for the acquired operations. In addition, our due diligence process may fail to identify significant issues with the acquired company's products, financial disclosures, accounting practices, legal, tax and other contingencies, compliance with local laws and regulations (and interpretations thereof) in multiple international jurisdictions, as well as compliance with U.S. laws and regulations.

These difficulties may be complicated by factors such as the size of the business or entity acquired, geographic and cultural differences, lack of experience operating in the industry or geographic markets of the acquired business, potential loss of key employees and customers, the potential for deficiencies in internal controls at the acquired or combined business, performance problems with the acquired business' technology, failure to realize the benefits of transition services arrangements, exposure to unanticipated liabilities of the acquired business, insufficient revenue to offset increased expenses associated with the acquisition, adverse tax consequences and our potential inability to achieve the growth prospects or synergies expected from any such acquisition. In addition, to ensure that its products are continually enhanced to protect against constantly evolving, increasingly sophisticated and wide-spread cyber-threats, Symantec currently relies on threat intelligence gathered from both its enterprise and consumer businesses. We and Symantec have agreed to continue sharing threat intelligence relating to the Symantec Business and the remaining Symantec consumer business, respectively, following the closing of the transaction. Failure to continue to receive such threat intelligence could cause the Symantec Business products to become less effective and adversely affect our business. Failure to manage and successfully integrate acquired businesses, or to improve margins of the acquired businesses and products, could materially harm our business, operating results and margins.

Any future acquisitions we make (including the acquisition of the Symantec Business) may require significant additional debt or equity financing, which, in the case of debt financing, would increase our leverage and potentially negatively affect our credit ratings, and in the case of equity or equity-linked financing, would be dilutive to our existing stockholders. Any downgrades in our credit ratings could adversely affect our ability to borrow by resulting in more restrictive borrowing terms or increased borrowing costs. As a result, we may be unable to complete acquisitions or other strategic transactions in the future to the same extent as in the past, or at all. These and other factors could harm our ability to achieve anticipated levels of profitability of acquired businesses or realize other anticipated benefits of an acquisition, and could adversely affect our business, financial condition and results of operations.

From time to time, we may also seek to divest or wind down portions of our business, either acquired or otherwise, or we may exit minority investments, each of which could materially affect our cash flows and results of operations. Any future dispositions we may make could involve risks and uncertainties, including our ability to sell such businesses on terms acceptable to us, or at all. In addition, any such dispositions could result in disruption to other parts of our business, potential loss of employees or customers, or exposure to unanticipated liabilities or ongoing obligations to us following any such dispositions. For example, in connection with such dispositions, we often enter into transition services agreements or other strategic relationships, including long-term research and development arrangements and sales arrangements, or agree to provide certain indemnities to the purchaser, which may result in additional expenses and may adversely affect our financial condition and results of operations. In addition, dispositions may include the transfer of technology and/or the licensing of certain IP rights to third-party purchasers, which could limit our ability to utilize such IP rights or assert these rights against such third-party purchasers or other third parties.

Failure to realize the benefits expected from the CA Merger could adversely affect the value of our common stock.

The completion of the CA Merger was a key step in strategically developing our business from being predominately a semiconductor solutions provider to being a broad-based infrastructure technology provider focused on mission critical technology. Although we expect significant benefits to result from the CA Merger, there can be no assurance that we will be able to successfully realize these benefits. Achieving these benefits will depend, in part, on our ability to effectively (i) manage a new business that licenses products under contracts that need to be regularly renewed, instead of selling products, (ii) continue to change the CA business strategy to focus on renewing contracts for mission critical software with existing core clients, and expanding the adoption of other existing CA offerings with these clients, (iii) compete in an industry in which we have limited experience and (iv) conduct business in countries in which we have not previously operated extensively or at all.

If we do not successfully manage these and related issues and challenges, we may not achieve the anticipated benefits of the CA Merger and our revenue, expenses, operating results, financial condition and stock price could be materially adversely affected. For example, goodwill and other intangible assets could be determined to be impaired, which could adversely impact our financial results. The successful integration of the CA business and the implementation of changes in CA's business strategy described above will continue to require significant management attention and may divert management's attention from our business and operational issues and opportunities.

Our business is subject to various governmental regulations, and compliance with these regulations may cause us to incur significant expense. If we fail to maintain compliance with applicable regulations, we may be forced to cease the manufacture and distribution of certain products, and we could be subject to civil or criminal penalties.

Our business is subject to various international laws and other legal requirements, including packaging, product content, labor and import/export regulations, such as the U.S. Export Administration Regulations, and applicable executive orders, and many of our semiconductor products are regulated or sold into regulated industries. These laws, regulations and orders are complex, may change frequently and with limited notice, have generally become more stringent over time and have intensified under the current U.S. administration, especially in light of recent trade tensions with China. We may be required to incur significant expense to comply with, or to remedy violations of, these regulations. In addition, if our customers fail to comply with these regulations, we may be required to suspend sales to these customers, which could damage our reputation and negatively impact our results of operations. For example, on May 15, 2019, the U.S. Department of Commerce added Huawei Technologies Co. Ltd., one of our customers, to its "Entity List" and placed certain export restrictions on Huawei and its suppliers, which required us to suspend certain sales to Huawei during the pendency of such restrictions and which has had a corresponding adverse effect on our revenue.

In addition, the manufacture and distribution of our semiconductors must comply with various laws and adapt to changes in regulatory requirements as they occur. For example, if a country in which our products are manufactured or sold sets technical standards that are not widely shared, it may require us to stop distributing our products commercially until they comply with such new standards, lead certain of our customers to suspend imports of their products into that country, require manufacturers in that country to manufacture products with different technical standards and disrupt cross-border manufacturing relationships, any of which could have a material adverse effect on our business, financial condition and results of operations. If we fail to comply with these requirements, we could also be required to pay civil penalties or face criminal prosecution. In addition, it is expected that the current U.S. administration's trade policy will promote U.S. manufacturing and manufacturers. It is unclear what effect this will have on us as a multinational company that conducts business world-wide, or on our suppliers, customers, contract manufacturers and OEMs.

Our products and operations are also subject to the rules of industrial standards bodies, like the International Standards Organization, as well as regulation by other agencies, such as the FTC. If we fail to adequately address any of these rules or regulations, our business could be harmed.

Failure to adjust our manufacturing and supply chain to accurately meet customer demand could adversely affect our results of operations.

We make significant decisions, including determining the levels of business that we will seek and accept, production schedules, levels of reliance on contract manufacturing and outsourcing, internal fabrication utilization and other resource requirements, based on our estimates of customer requirements. Factors that can impact our ability to accurately estimate future customer requirements include the short-term nature of many customers' commitments, our customers' ability to reschedule, cancel and modify orders with little or no notice and without significant penalty, the accuracy of our customers' forecasts and the possibility of rapid changes in demand for our customers' products, as well as seasonal or cyclical trends in their industries or the semiconductor industry.

To ensure the availability of our products, particularly for our largest customers, we typically start manufacturing our relevant products based on our customers' forecasts, which are not binding. As a result, we incur inventory and manufacturing costs in advance of anticipated sales that may never materialize or that may be substantially lower than expected. If actual demand for our products is lower than forecast, we may also experience higher inventory carrying and operating costs and product obsolescence. Because certain of our sales, research and development, and internal manufacturing overhead expenses are relatively fixed, a reduction in customer demand may also decrease our gross margin and operating income.

Conversely, customers often require rapid increases in production on short notice. We may be unable to secure sufficient materials or contract manufacturing capacity to meet such increases in demand. This could damage our customer relationships, reduce revenue growth and margins, subject us to additional liabilities, harm our reputation, and prevent us from taking advantage of opportunities.

We are subject to risks associated with our distributors, including product inventory levels and product sell-through.

We sell many of our semiconductor products through distributors who maintain their own inventory of our products for sale to dealers and end customers. Sales to distributors accounted for 44% of our net revenue in the three fiscal quarters ended August 4, 2019. If our distributors are unable to sell an adequate amount of their inventory of our products in a given quarter or if they decide to decrease their inventories for any reason, our sales to these distributors and our revenue may decline. We also face the risk that our distributors may increase inventory levels of our products in any particular quarter in excess of future anticipated sales. If such sales do not occur in the time frame anticipated by these distributors for any reason, these distributors may substantially decrease the amount of product they order from us in subsequent periods until their inventory levels realign with end customer demand, which would harm our business and could adversely affect our revenue in such subsequent periods. We have streamlined the number of distributors we use, making us increasingly dependent on our remaining distributors, which may exacerbate the foregoing risks and increase our related credit risk.

We do not always have a direct relationship with the end customers of our products. As a result, our products may be used in applications for which they were not necessarily designed or tested, including, for example, medical devices, and they may not perform as anticipated in such applications. In such event, failure of even a small number of parts could result in significant liabilities to us, damage our reputation and harm our business and results of operations.

Our business would be adversely affected by the departure of existing members of our senior management team.

Our success depends, in large part, on the continued contributions of our senior management team, and in particular, the services of Mr. Hock E. Tan, our President and Chief Executive Officer. Effective succession planning is also important for our long-term success. Failure to ensure effective transfers of knowledge and smooth transitions involving senior management could hinder our strategic planning and execution. None of our senior management is bound by written employment contracts. In addition, we do not currently maintain key person life insurance covering our senior management. The loss of any of our senior management could harm our ability to implement our business strategy and respond to the rapidly changing market conditions in which we operate.

Our business, financial condition and results of operations could be adversely affected by the political and economic conditions of the countries in which we conduct business and other factors related to our international operations.

A majority of our products are produced and sourced internationally and our international revenue represents a significant percentage of our overall revenue. In addition, as of August 4, 2019, approximately 49% of our employees are located outside the U.S. Multiple factors relating to our international operations and to particular countries in which we operate could have a material adverse effect on our business, financial condition and results of operations. These factors include:

- changes in political, regulatory, legal or economic conditions or geopolitical turmoil, including terrorism, war or political or military coups, or civil disturbances or political instability;
- restrictive governmental actions, such as restrictions on the transfer or repatriation of funds and foreign investments, data privacy regulations and trade protection measures, including increasing protectionism, import/export restrictions, import/export duties and quotas, trade sanctions and customs duties and tariffs, all of which have increased under the current U.S. administration;
- difficulty in obtaining product distribution and support, and transportation delays;
- potential inability to localize software products for a significant number of international markets;
- difficulty in conducting due diligence with respect to business partners in certain international markets;
- public health or safety concerns;
- nationalization of businesses and expropriation of assets; and

- changes in tax laws.

A significant legal risk associated with conducting business internationally is compliance with the various and differing laws and regulations, including anti-corruption and anti-bribery laws and regulations, of the countries in which we do business, antitrust and competition laws, data privacy laws, money-laundering regulations and export regulations. In addition, the laws in various countries are constantly evolving and may, in some cases, conflict with each other. Although our Code of Ethics and Business Conduct and other policies prohibit us, our employees and our agents from engaging in unethical business practices, there can be no assurance that all of our employees or agents will refrain from acting in violation of our related anti-corruption policies and procedures. Any such violation could have a material adverse effect on our business.

We may be involved in legal proceedings, including IP, anti-competition and securities litigation, employee-related claims and regulatory investigations, which could, among other things, divert efforts of management and result in significant expense and loss of our IP rights.

We are often involved in legal proceedings, including cases involving our IP rights and those of others, anti-competition and commercial matters, acquisition-related suits, securities class action suits, employee-related claims and other actions. Some of these actions may seek injunctive relief, including injunctions or exclusion orders against the sale of our products and substantial monetary damages, which if granted or awarded could materially harm our business, financial condition and results of operations. From time to time, we may also be involved or required to participate in regulatory investigations or inquiries, such as the ongoing investigations by the FTC and the European Commission into certain of our contracting practices, which may evolve into legal or other administrative proceedings. Litigation or settlement of such actions, regardless of their merit, or involvement in regulatory investigations or inquiries, can be complex, can extend for a protracted period of time, can divert the efforts and attention of our management and technical personnel, and is frequently costly, with the related expenditures unpredictable. An unfavorable resolution of a governmental investigation may include, among others, fines or other orders to disgorge profits or make other payments, and/or the issuance of orders to cease certain conduct and/or modify our contracting practices, any or all of which could materially adversely affect our reputation and our business, financial condition and results of operations.

The semiconductor and software industries are characterized by companies holding large numbers of patents, copyrights, trademarks and trade secrets and by the vigorous pursuit, protection and enforcement of IP rights, including actions by patent-holding companies that do not make or sell products. From time to time, third parties assert against us and our customers and distributors their patent, copyright, trademark, trade secret and other IP rights to technologies that are important to our business.

Many of our customer agreements, and in some cases our asset sale agreements, and/or the laws of certain jurisdictions may require us to indemnify our customers or purchasers for third-party IP infringement claims, including costs to defend those claims, and payment of damages in the case of adverse rulings. However, our contract manufacturers and suppliers may or may not be required to indemnify us should we or our customers be subject to such third-party claims. Claims of this sort could also harm our relationships with our customers and might deter future customers from doing business with us. We do not know whether we will prevail in such proceedings, given the complex technical issues and inherent uncertainties in IP litigation. If any pending or future proceedings result in an adverse outcome, we could be required to:

- cease the manufacture, use or sale of the infringing products, processes or technology and/or make changes to our processes or products;
- pay substantial damages for past, present and future use of the infringing technology;
- expend significant resources to develop non-infringing technology;
- license technology from the third-party claiming infringement, which license may not be available on commercially reasonable terms, or at all;
- enter into cross-licenses with our competitors, which could weaken our overall IP portfolio and our ability to compete in particular product categories;
- indemnify our customers or distributors and/or recall, or accept the return of, infringing products;
- pay substantial damages to our direct or end customers to discontinue use or replace infringing technology with non-infringing technology; or
- relinquish IP rights associated with one or more of our patent claims, if such claims are held invalid or otherwise unenforceable.

Any of the foregoing results could have a material adverse effect on our business, financial condition and results of operations.

In addition, we may be obligated to indemnify our current or former directors or employees, or former directors or employees of companies that we have acquired, in connection with litigation or regulatory investigations. These liabilities could be substantial and may include, among other things, the cost of defending lawsuits against these individuals, as well as stockholder derivative suits; the cost of government, law enforcement or regulatory investigations; civil or criminal fines and penalties; legal and other expenses; and expenses associated with the remedial measure, if any, which may be imposed.

We purchase a significant amount of the materials used in our products from a limited number of suppliers.

Our manufacturing processes rely on many materials, including silicon, gallium arsenide and indium phosphide wafers, copper lead frames, precious and rare earth metals, mold compound, ceramic packages and various chemicals and gases. We purchase a significant portion of our semiconductor materials, components and finished goods used in our products from a few materials providers, some of which are single source suppliers. During the three fiscal quarters ended August 4, 2019, we purchased approximately two-thirds of the materials for our manufacturing processes from 5 materials providers. Substantially all of our purchases are on a purchase order basis, and we do not generally have long-term contracts with our materials providers. Suppliers may extend lead times, limit supplies or increase prices due to commodity price increases, capacity constraints or other factors, which may lead to interruption of supply or increased demand in the industry. In the event that we cannot timely obtain sufficient quantities of materials or at reasonable prices, the quality of the material deteriorates or we are not able to pass on higher materials or energy costs to our customers, our business, financial condition and results of operations could be adversely impacted.

Our operating results are subject to substantial quarterly and annual fluctuations.

Our revenue and operating results have fluctuated in the past and are likely to fluctuate in the future. These fluctuations may occur on a quarterly and annual basis and are due to a number of factors, many of which are beyond our control. These factors include, among others:

- customer concentration and the gain or loss of significant customers;
- the timing of launches by our customers of new products, such as mobile handsets, in which our products are included and changes in end-user demand for the products manufactured and sold by our customers;
- changes in our product mix or customer mix and their effect on our gross margin;
- the shift to cloud-based IT solutions and services, such as hyperscale computing, which may adversely affect the timing and volume of sales of our products for use in traditional enterprise data centers;
- the timing of receipt, reduction or cancellation of significant product orders by customers;
- the timing of new software contracts and renewals, as well as the timing of any terminations of software contracts that require us to refund to customers any pre-paid amounts under the contract, which may adversely affect our cash flows;
- fluctuations in the levels of component inventories held by our customers;
- utilization of our internal manufacturing facilities and fluctuations in manufacturing yields;
- our ability to successfully and timely integrate, and realize the benefits of acquisitions we may make and the timing of acquisitions or dispositions of, or making and exiting investments in, other entities, businesses or technologies;
- our ability to develop, introduce and market new products and technologies on a timely basis;
- the timing and extent of our software license and subscription revenue, and other non-product revenue, such as product development revenue and royalty and other payments from IP sales and licensing arrangements;
- new product announcements and introductions by us or our competitors;
- seasonality or other fluctuations in our markets;
- IP disputes and associated litigation expense;
- timing and amount of research and development and related new product expenditures, and the timing of receipt of any research and development grant monies;
- significant warranty claims, including those not covered by our suppliers or our insurers;
- availability and cost of raw materials and components from our suppliers;
- timing of any regulatory changes, particularly with respect to trade sanctions and customs duties and tariffs, and tax reform;

- fluctuations in currency exchange and interest rates;
- changes in taxation of international businesses, which could increase our overall cash tax costs;
- changes in our tax structure or incentive arrangements, which may adversely affect our net tax expense and our cash flow in any quarter in which such an event occurs;
- loss of key personnel or the shortage of available skilled workers; and
- the effects of competitive pricing pressures, including decreases in average selling prices of our products.

The foregoing factors are often difficult to predict, and these, as well as other factors, could materially adversely affect our quarterly or annual operating results. In addition, a significant amount of our operating expenses are relatively fixed in nature due to our significant sales, research and development, and internal manufacturing overhead expenses. Any failure to adjust spending quickly enough to compensate for a revenue shortfall could magnify the adverse impact of such revenue shortfall on our results of operations. As a result, we believe that quarter-to-quarter comparisons of our revenue and operating results may not be meaningful or a reliable indicator of our future performance. If our operating results in one or more future quarters fail to meet the expectations of securities analysts or investors, a significant decline in the trading price of our common stock may occur, which may happen immediately or over time.

If we are unable to attract and retain qualified personnel, especially our engineering and technical personnel, we may not be able to execute our business strategy effectively.

Our future success depends on our ability to retain, attract and motivate qualified personnel. We also seek to acquire talented engineering and technical personnel, as well as effective sales professionals, through acquisitions we may make from time to time or otherwise. We have historically encountered some difficulties in hiring and retaining qualified engineers, particularly in Silicon Valley and Southeast Asia where qualified engineers are in high demand. In addition, current or future immigration laws make it more difficult to hire or retain qualified engineers further limiting the pool of available talent. Further, our employees, including employees whom we have retained as a result of an acquisition, may decide not to continue working for us and may leave with little or no notice. As the source of our technological and product innovations, our engineering and technical personnel are a significant asset. We have granted multi-year equity awards to most of our employees, including CA employees, many of whom were not eligible to receive equity awards prior to the CA Merger. These awards approximate four consecutive annual grants that vest in four tranches with successive four-year vesting periods. While we believe these awards provide a powerful long-term retention incentive to employees, we may be incorrect in this assumption, particularly if there is a material and persistent decline in the price of our stock. Any inability to retain, attract or motivate such personnel could have a material adverse effect on our business, financial condition and results of operations.

We operate in the highly cyclical semiconductor industry, which is subject to significant downturns.

The semiconductor industry is highly cyclical and is characterized by constant and rapid technological change and price erosion, evolving technical standards, frequent new product introductions, short product life cycles (for semiconductors and for many of the end products in which they are used) and wide fluctuations in product supply and demand. From time to time, these factors, together with changes in general economic conditions, cause significant upturns and downturns in the industry in general, and in our business in particular. Periods of industry downturns have been characterized by diminished demand for end-user products, high inventory levels and periods of inventory adjustment, under-utilization of manufacturing capacity, changes in revenue mix and accelerated erosion of average selling prices. We expect our business to continue to be subject to cyclical downturns even when overall economic conditions are relatively stable. If we cannot offset industry or market downturns, our net revenue may decline and our financial condition and results of operations may suffer.

Winning business in the semiconductor solutions industry is subject to a lengthy process that often requires us to incur significant expense, from which we may ultimately generate no revenue.

Our semiconductor business is dependent on us winning competitive bid selection processes, known as “design wins”. These selection processes are typically lengthy and can require us to dedicate significant development expenditures and scarce engineering resources in pursuit of a single customer opportunity. Failure to obtain a particular design win may prevent us from obtaining design wins in subsequent generations of a particular product. This can result in lost revenue and can weaken our position in future competitive bid selection processes.

Winning a product design does not guarantee sales to a customer or that we will realize as much revenue as anticipated, if any. A delay or cancellation of a customer’s plans could materially and adversely affect our financial results, as we incur significant expense in the design process and may generate little or no revenue from it. In addition, the timing of design wins is unpredictable and implementing production for a major design win, or multiple design wins occurring at the same time, may strain our resources and those of our contract manufacturers. In such event, we may be forced to dedicate significant additional resources and incur additional, unanticipated costs and expenses. Often customers will only purchase limited

numbers of evaluation units from us until they qualify the products and/or the manufacturing line for those products. The qualification process can take significant time and resources and we may not always be able to satisfy customers' qualification requirements. Delays in qualification or failure to qualify our products may cause a customer to discontinue use of our products and result in a significant loss of revenue. Finally, customers could choose at any time to stop using our products or could fail to successfully market and sell their products, which could reduce demand for our products, and cause us to hold excess inventory, materially adversely affecting our business, financial condition and results of operations. These risks are exacerbated by the fact that many of our products, and the end products into which our products are incorporated, often have very short life cycles.

Competition in our industries could prevent us from growing our revenue.

The industries in which we operate are highly competitive and characterized by rapid technological changes, evolving industry standards, changes in customer requirements, often aggressive pricing practices and, in some cases, new delivery methods. We expect competition in these industries to continue to increase as existing competitors improve or expand their product offerings or as new competitors enter our markets.

In addition, the competitive landscape is changing in these industries as a result of a trend toward consolidation. Some of our direct competitors have merged with or been acquired by other competitors. We expect this consolidation trend to continue, which may result in the combined competitors having greater manufacturing, distribution, financial, research and development or marketing resources than us. In addition, some of our competitors may also receive financial and other support from their home country government or may have a greater presence in key markets, a larger customer base or more comprehensive IP portfolio and patent protection than us.

We compete with integrated device manufacturers and fabless semiconductor companies, as well as the internal resources of large, integrated OEMs. Because our products are often building block semiconductors, providing functions that in some cases can be integrated into more complex integrated circuits ("ICs"), we also face competition from manufacturers of ICs, as well as customers that may develop their own IC products. Our competitors in these markets range from large, international companies offering a wide range of semiconductor products and devices to smaller companies specializing in niche markets and new technologies.

Our competitors also include large vendors of hardware and operating system software and cloud service providers. Some of our competitors have longer operating histories, greater name recognition, a larger installed base of customers in any particular market, larger technical staffs, more established relationships with hardware vendors, or greater financial, technical and marketing resources than us. We also face competition from numerous start-ups and smaller companies that specialize in specific aspects of the highly fragmented software industry, open source authors who may provide software and intellectual property for free, competitors who may offer their products through try-and-buy or freemium models, and customers who may develop competing products.

The actions of our competitors, in the areas of pricing and product bundling in particular, could have a substantial adverse impact on us. Further, competitors may leverage their IP or other proprietary information, including interface or interoperability information, in new and emerging technologies and platforms that may inhibit our ability to compete effectively. If we are unable to compete successfully, we may lose market share for our products or incur significant reduction in our gross margins, either of which could have a material adverse effect on our business and results of operations.

A prolonged disruption of our manufacturing facilities, research and development facilities or other significant operations, or those of our suppliers, could have a material adverse effect on our business, financial condition and results of operations.

Although we operate a primarily outsourced manufacturing business model, we also rely on our own manufacturing facilities, in particular in Fort Collins, Colorado, Singapore, and Breinigsville, Pennsylvania. We use these internal fabrication facilities for products utilizing our innovative and proprietary processes, in order to protect our IP, to accelerate time to market of our products and to ensure supply of certain components. Our Fort Collins and Breinigsville facilities are the sole sources for the film bulk acoustic resonator components used in many of our wireless devices and for the indium phosphide-based wafers used in our fibre optics products, respectively. Many of our facilities, and those of our contract manufacturers and suppliers, are located in California and the Pacific Rim region, which has above average seismic activity and severe weather activity. In addition, our research and development personnel are primarily concentrated in China, Czech Republic, India, Israel, Malaysia, Singapore, South Korea, Taiwan, Colorado, California and Pennsylvania, with the expertise of the personnel at each such location tending to be focused on one or two specific areas.

A prolonged disruption at one or more of our manufacturing facilities for any reason, especially our Colorado, Singapore and Pennsylvania facilities, or those of our contract manufacturers or suppliers, due to natural- or man-made disasters or other events outside of our control, such as equipment malfunction or widespread outbreaks of acute illness at one or more of these facilities, would limit our capacity to meet customer demands and delay new product development until a replacement facility and equipment, if necessary, were found. Any such event would likely disrupt our operations, delay

production, shipments and revenue, result in us being unable to timely satisfy customer demand, expose us to claims by our customers resulting in significant expense to repair or replace our affected facilities, and, in some instances, could significantly curtail our research and development efforts in a particular product area or target market. As a result, we could forgo revenue opportunities, potentially lose market share, damage our customer relationships and be subject to litigation and additional liabilities, all of which could materially and adversely affect our business. Although we purchase insurance to mitigate certain losses, such insurance often carries a high deductible amount and any uninsured losses could negatively affect our operating results. In addition, even if we were able to promptly resume production of our affected products, if our customers cannot timely resume their own manufacturing following such an event, they may cancel or scale back their orders from us and this may in turn adversely affect our results of operations. Such events could also result in increased fixed costs relative to the revenue we generate and adversely affect our results of operations.

We may be unable to maintain appropriate manufacturing capacity at our own manufacturing facilities, which could adversely affect our relationships with our customers, and our business, financial condition and results of operations.

We must maintain appropriate capacity at our own manufacturing facilities to meet anticipated customer demand for our proprietary products. From time to time, this requires us to invest in expansion or improvements of those facilities, which often involves substantial cost and other risks, such as delays in completion. Such expanded manufacturing capacity may still be insufficient, or may not come online soon enough, to meet customer demand and we may have to put customers on product allocation, forgo sales or lose customers as a result. Conversely, if we overestimate customer demand, we would experience excess capacity and fixed costs at these facilities, all of which could adversely affect our results of operations.

Any failure of our IT systems or one or more of our corporate infrastructure vendors to provide necessary services could have a material adverse effect on our business.

We depend on various IT systems, including networks, applications, internal IT systems and personnel, and outsourced services for, among other things, financial reporting and product orders and shipments. We rely on third-party vendors to provide critical corporate infrastructure services on a timely and effective basis and to adequately address cybersecurity threats to their own systems. Services provided by these third parties include certain services related to shipping, human resources, benefit plan administration, IT network development and network monitoring. While we may be entitled to damages if our vendors fail to perform under their agreements with us, we may be unable to collect on any award of damages and any award may be insufficient to cover the actual costs we may incur as a result of a vendor's failure to perform under its agreement with us. Upon expiration or termination of any of our third-party vendor agreements we may not be able to timely replace the vendor on terms and conditions, including service levels and costs, which are favorable to us. In addition, a transition from one vendor to another vendor could subject us to operational delays and inefficiencies until the transition is complete.

Any failure of these internal or third-party systems and services to operate effectively could disrupt our operations and could have a material adverse effect on our business, financial condition and results of operations by harming our ability to accurately forecast sales demand, manage our supply chain and production facilities, fulfill customer orders, and report financial and other information on a timely and accurate basis.

Our gross margin is dependent on a number of factors, including our product mix, price erosion, acquisitions we may make, level of capacity utilization and commodity prices.

Our gross margin is highly dependent on product mix, which is susceptible to seasonal and other fluctuations in our markets. A shift in sales mix away from our higher margin products, as well as the timing and amount of our software licensing and non-product revenue, could adversely affect our future gross margin percentages. In addition, increased competition and the existence of product alternatives, more complex engineering requirements, lower demand or reductions in our technological lead, compared to our competitors, and other factors may lead to further price erosion, lower revenue and lower margin for us in the future.

Our gross margin may also be adversely affected by expenses related to the acquisitions of businesses, such as amortization of intangible assets and restructuring and impairment charges. Furthermore, businesses or companies that we acquire may have different gross margin profiles than us and could, therefore, also affect our overall gross margin.

In addition, semiconductor manufacturing requires significant capital investment, leading to high fixed costs, including depreciation expense. If we are unable to utilize our owned manufacturing facilities at a high level, the fixed costs associated with these facilities, such as depreciation expense, will not be fully absorbed, resulting in higher average unit costs and a lower gross margin. Furthermore, fluctuations in commodity prices, either directly in the price of the raw materials we buy, or as a result of price increases passed on to us by our suppliers, could negatively impact our margins. We do not hedge our exposure to commodity prices, some of which (including gold and fuel prices) are very volatile, and sudden or prolonged increases in commodities prices may adversely affect our gross margin.

We utilize a significant amount of IP in our business. If we are unable or fail to protect our IP, our business could be adversely affected.

Our success depends in part upon protecting our IP. To accomplish this, we rely on a combination of IP rights, including patents, copyrights, trademarks and trade secrets, as well as customary contractual protections with our customers, suppliers, employees and consultants. We may be required to spend significant resources to monitor and protect our IP rights, including the usage rates of the software seat licenses and subscriptions that we sell, and even with significant expenditures we may not be able to protect the IP rights that are valuable to our business. We are unable to predict or assure that:

- the IP rights that we presently employ in our business will not lapse or be invalidated, circumvented, challenged, or, in the case of third-party IP rights licensed to us, be licensed to others;
- our IP rights will provide competitive advantages to us;
- rights previously granted by third parties to IP licensed or assigned to us, including portfolio cross-licenses, will not hamper our ability to assert our IP rights against potential competitors or hinder the settlement of currently pending or future disputes;
- any of our pending or future patent, trademark or copyright applications will be issued or have the coverage originally sought;
- our IP rights will be enforced in certain jurisdictions where competition may be intense or where legal protection may be weak; or
- we have sufficient IP rights to protect our products or our business.

In addition, our competitors or others may develop products or technologies that are similar or superior to our products or technologies, duplicate our products or technologies or design around our protected technologies. Effective patent, trademark, copyright and trade secret protection may be unavailable or more limited in other jurisdictions, relative to those protections available in the U.S., and may not be applied for or may be abandoned in one or more relevant jurisdictions. We may elect to abandon or divest patents or otherwise not pursue prosecution of certain pending patent applications, due to strategic concerns or other factors. In addition, when patents expire, we lose the protection and competitive advantages they provided to us.

We also generate some of our revenue from licensing royalty payments and from technology claim settlements relating to certain of our IP. Licensing of our IP rights, particularly exclusive licenses, may limit our ability to assert those IP rights against third parties, including the licensee of those rights. In addition, we may acquire companies with IP that is subject to licensing obligations to other third parties. These licensing obligations may extend to our own IP following any such acquisition and may limit our ability to assert our IP rights. From time to time, we pursue litigation to assert our IP rights, including, in some cases, against third parties with whom we have ongoing relationships, such as customers and suppliers. Claims of this sort could also harm our relationships with our customers and might deter future customers from doing business with us. Conversely, third parties may pursue IP litigation against us, including as a result of our IP licensing business. An adverse decision in such types of legal action could limit our ability to assert our IP rights and limit the value of our technology, including the loss of opportunities to sell or license our technology to others or to collect royalty payments based upon successful protection and assertion of our IP against others. In addition, such legal actions or adverse decisions could otherwise negatively impact our business, financial condition and results of operations.

From time to time, we may need to obtain additional IP licenses or renew existing license agreements. We are unable to predict whether these license agreements can be obtained or renewed on acceptable terms or at all.

If our software products do not remain compatible with ever-changing operating environments, platforms, or third-party products, demand for our products and services could decrease, which could materially adversely affect our business.

The largest suppliers of systems and computing software are, in most cases, the manufacturers of the computer hardware systems used by most of our customers, particularly in the mainframe space. These companies periodically modify or introduce new operating systems, systems software and computer hardware, which could require substantial modification of our products to maintain compatibility with these companies' hardware or software. There can be no assurance that we will be able to adapt our products in response to these developments.

Further, our software solutions interact with a variety of software and hardware developed by third parties. If we lose access to third-party code and specifications for the development of code, this could negatively impact our ability to develop compatible software. In addition, if software providers and hardware manufacturers, including some of our largest vendors, adopt new policies restricting the use or availability of their code or technical documentation for their operating systems, applications, or hardware, or otherwise impose unfavorable terms and conditions for such access, this could result in higher research and development costs for the enhancement and modification of our existing products or development of new

products. Any additional restrictions could materially adversely affect our business, financial condition and operating results and cash flow.

Failure to enter into software license agreements on a satisfactory basis could materially adversely affect our business.

Many of our existing customers have multi-year enterprise license agreements, some of which involve substantial aggregate fee amounts. These customers have no contractual obligation to purchase additional solutions. Customer renewal rates may decline or fluctuate as a result of a number of factors, including the level of customer satisfaction with our solutions or customer support, customer budgets and the pricing of our solutions as compared with the solutions offered by our competitors, any of which may cause our revenue to grow more slowly than expected, if at all. The failure to renew customer agreements of similar scope, on terms that are commercially attractive to us, could materially adversely affect our business, financial condition and operating results and cash flow.

Our sales to government clients subject us to uncertainties regarding fiscal funding approvals, renegotiations or terminations at the discretion of the government, as well as audits and investigations, which could result in litigation, penalties and sanctions including early termination, suspension and debarment.

Our multi-year contracts signed with the U.S. federal government and other U.S. state and local government agencies are generally subject to annual fiscal funding approval and may be renegotiated or terminated at the discretion of the government. Termination, renegotiation or the lack of funding approval for a contract could adversely affect our sales, revenue and reputation. Additionally, our government contracts are generally subject to certain requirements, some of which are generally not present in commercial contracts and/or may be complex, as well as to audits and investigations. Failure to meet contractual requirements could result in various civil and criminal actions and penalties, and administrative sanctions, including termination of contracts, refund of a portion of fees received, forfeiture of profits, suspension of payments, fines and suspensions or debarment from doing business with the government and could materially adversely affect our business, financial condition, operating results and cash flow.

Certain software that we use in our products is licensed from third parties and may not be available to us in the future, which may delay product development and production or cause us to incur additional expense.

Some of our solutions contain software licensed from third parties, some of which may not be available to us in the future on terms that are acceptable to us or allow our products to remain competitive. The loss of these licenses or the inability to maintain any of them on commercially acceptable terms could delay development of future products or the enhancement of existing products.

Certain software we use is from open source code sources, which, under certain circumstances could materially adversely affect our business, financial condition, operating results and cash flow.

Some of our products contain software from open source code sources, the use of which may subject us to certain conditions, including the obligation to offer such products for no cost or to make the proprietary source code of those products publicly available. Further, although some open source vendors provide warranty and support agreements, it is common for such software to be available “as-is” with no warranty, indemnity or support. Although we monitor our use of such open source code to avoid subjecting our products to unintended conditions, such use, under certain circumstances, could materially adversely affect our business, financial condition and operating results and cash flow, including if we are required to take remedial action that may divert resources away from our development efforts.

We are subject to warranty claims, product recalls and product liability.

From time to time, we may be subject to warranty or product liability claims that may in the future lead to significant expense. Our customer contracts typically contain warranty and indemnification provisions, and in certain cases may also contain liquidated damages provisions, relating to product quality issues. The potential liabilities associated with such provisions are significant, and in some cases, including in agreements with some of our largest customers, are potentially unlimited. Any such liabilities may greatly exceed any revenue we receive from the relevant products. Costs, payments or damages incurred or paid by us in connection with warranty and product liability claims and product recalls could materially adversely affect our financial condition and results of operations. We may also be exposed to such claims as a result of any acquisition we may undertake in the future.

Product liability insurance is subject to significant deductibles and there is no guarantee that such insurance will be available or adequate to protect against all such claims, or we may elect to self-insure with respect to certain matters. For example, it is possible for one of our customers to recall a product containing one of our semiconductor devices. In such an event, we may incur significant costs and expenses, including among others, replacement costs, contract damage claims from our customers and reputational harm. Although we maintain reserves for reasonably estimable liabilities and purchase product liability insurance, our reserves may be inadequate to cover the uninsured portion of such claims. Conversely, in some cases, amounts we reserve may ultimately exceed our actual liability for particular claims and may need to be reversed.

The complexity of our products could result in unforeseen delays or expense or undetected defects or bugs, which could adversely affect the market acceptance of new products, damage our reputation with current or prospective customers, and materially and adversely affect our operating costs.

Highly complex products, such as those we offer, may contain defects and bugs when they are first introduced or as new versions, software documentation or enhancements are released, or their release may be delayed due to unforeseen difficulties during product development. If any of our products, including the products of companies we have acquired, or third-party components used in our products, contain defects or bugs, or have reliability, quality or compatibility problems, we may not be able to successfully design workarounds. Furthermore, if any of these problems are not discovered until after we have commenced commercial production of or deployed a new product, we may be required to incur additional development costs and product recall, repair or replacement costs. Significant technical challenges also arise with our software products because our customers license and deploy our products across a variety of computer platforms and integrate them with a number of third party software applications and databases. As a result, if there is system-wide failure, it may be difficult to determine which product is at fault and we could ultimately be harmed by the failure of another supplier's product. Consequently, our reputation may be damaged and customers may be reluctant to buy our products, which could materially and adversely affect our ability to retain existing customers and attract new customers. To resolve these problems, we may have to invest significant capital and other resources. These problems may also result in claims against us by our customers or others. For example, if a delay in the manufacture and delivery of our products causes the delay of a customer's end-product delivery, we may be required, under the terms of our agreement with that customer, to compensate the customer for the adverse effects of such delays. In addition, these problems may divert our technical and other resources from other development efforts, and we would likely lose, or experience a delay in, market acceptance of the affected product or products. As a result, our financial results could be materially adversely affected.

We make substantial investments in research and development to enhance existing and develop new technologies to keep pace with technological advances and to remain competitive in our business, and unsuccessful investments could materially adversely affect our business, financial condition and results of operations.

The industries in which we compete are characterized by rapid technological change, changes in customer requirements, frequent new product introductions and enhancements, short product cycles and evolving industry standards, new delivery methods and require substantial investment in our research and development in order to develop and bring to market new and enhanced technologies and products. In addition, semiconductor products transition over time to increasingly smaller line width geometries. This requires us to adapt our products and manufacturing processes to these new technologies, which requires expertise in new procedures. Our failure to successfully transition to smaller geometry process technologies could impair our competitive position. In order to remain competitive, we have made, and expect to continue to make, significant investments in research and development. We expect the dollar amount of research and development expenses to increase for the foreseeable future, due to the increasing complexity and number of products we plan to develop. If we fail to develop new and enhanced products and technologies, if we focus on technologies that do not become widely adopted, or if new competitive technologies that we do not support, become widely accepted, demand for our products may be reduced. Significant investments in unsuccessful research and development efforts could materially adversely affect our business, financial condition and results of operations. In addition, increased investments in research and development could cause our cost structure to fall out of alignment with demand for our products, which would have a negative impact on our financial results.

Data privacy regulations are expanding and compliance with, and any violations of, these regulations may cause us to incur significant expenses.

Privacy legislation, enforcement and policy activity in this area are expanding rapidly in many jurisdictions and creating a complex regulatory compliance environment. The cost of complying with and implementing these privacy-related and data protection measures could be significant. In addition, even our inadvertent failure to comply with federal, state or international privacy-related or data protection laws and regulations could result in proceedings against us by governmental entities or others, and substantial fines and damages. The theft, loss or misuse of personal data collected, used, stored or transferred by us to run our business could result in significantly increased business and security costs or costs related to defending legal claims.

We are subject to environmental, health and safety laws, which could increase our costs, restrict our operations and require expenditures that could have a material adverse effect on our results of operations and financial condition.

We are subject to a variety of international laws and regulations relating to the use, disposal, clean-up of and human exposure to, hazardous materials. Compliance with environmental, health and safety requirements could, among other things, require us to modify our manufacturing processes, restrict our ability to expand our facilities, or require us to acquire pollution control equipment, all of which can be very costly. Any failure by us to comply with such requirements could result in the limitation or suspension of the manufacture of our products, and could result in litigation against us and the payment of

significant fines and damages by us in the event of a significant adverse judgment. In addition, complying with any cleanup or remediation obligations for which we are or become responsible could be costly and have a material adverse effect on our business, financial condition and results of operations.

Changing requirements relating to the materials composition of our semiconductor products, including the restrictions on lead and certain other substances in electronics that apply to specified electronics products sold in various countries, including the U.S., China, Japan, and in the European Union, increase the complexity and costs of our product design and procurement operations and may require us to re-engineer our products. Such re-engineering may result in excess inventory or other additional costs and could have a material adverse effect on our results of operations. We may also experience claims from employees from time to time with regard to exposure to hazardous materials or other workplace related environmental claims.

Social and environmental responsibility regulations, policies and provisions, as well as customer demand, may make our supply chain more complex and may adversely affect our relationships with customers.

There is an increasing focus on corporate social and environmental responsibility in the semiconductor industry, particularly with OEMs that manufacture consumer electronics. A number of our customers have adopted, or may adopt, procurement policies that include social and environmental responsibility provisions that their suppliers should comply with, or they may seek to include such provisions in their procurement terms and conditions. An increasing number of participants in the semiconductor industry are also joining voluntary social responsibility initiatives such as the U.N. Global Compact, a voluntary initiative for businesses to develop, implement and disclose sustainability policies and practices. These social and environmental responsibility provisions and initiatives are subject to change, can be unpredictable, and may be difficult and expensive for us to comply with, given the complexity of our supply chain and our significant outsourced manufacturing. If we are unable to comply, or are unable to cause our suppliers or contract manufacturers to comply, with such policies or provisions, a customer may stop purchasing products from us, and may take legal action against us, which could harm our reputation, revenue and results of operations.

In addition, as part of their corporate social and environmental responsibility programs, an increasing number of OEMs are seeking to source products that do not contain minerals sourced from areas where proceeds from the sale of such minerals are likely to be used to fund armed conflicts, such as in the Democratic Republic of Congo. This could adversely affect the sourcing, availability and pricing of minerals used in the manufacture of semiconductor devices, including our products. Since our supply chain is complex, we are not currently able to definitively ascertain the origins of all of the minerals and metals used in our products. As a result, we may face difficulties in satisfying these customers' demands, which may harm our sales and operating results.

The average selling prices of semiconductor products in our markets have often decreased rapidly and may do so in the future, which could harm our revenue and gross profit.

The semiconductor products we develop and sell are used for high volume applications. As a result, the prices of those products have often decreased rapidly. Gross profit on our products may be negatively affected by, among other things, pricing pressures from our customers. 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 our competitors and other factors. In addition, some of our customer agreements provide for volume-based pricing and product pricing roadmaps, which can also reduce the average selling prices of our products over time. Our margins and financial results will suffer if we are unable to offset any reductions in our average selling prices by increasing our sales volumes, reducing manufacturing costs, or developing new and higher value-added products on a timely basis.

A breach of our security systems may have a material adverse effect on our business.

Our security systems are designed to maintain the physical security of our facilities and protect our customers', suppliers' and employees' confidential information, as well as our own proprietary information. However, we are also dependent on a number of third-party cloud-based and other service providers of critical corporate infrastructure services relating to, among other things, human resources, electronic communication services and certain finance functions, and we are, out of necessity, dependent on the security systems of these providers.

Accidental or willful security breaches or other unauthorized access by third parties or our employees or contractors of our facilities, our information systems or the systems of our cloud-based or other service providers, or the existence of computer viruses or malware in our or their data or software could expose us to a risk of information loss and misappropriation of proprietary and confidential information, including information relating to our products or customers and the personal information of our employees. In addition, we have, from time to time, also been subject to unauthorized network intrusions and malware on our own IT networks.

Certain of our software products are intended to manage and secure IT infrastructures and environments, and as a result, we expect these products to be ongoing targets of cybersecurity attacks. Open source code or other third-party software used in these products could also be targeted. Additionally, we use third-party data centers, including for part of our SaaS business, which may also be subject to hacking incidents. Although we continually seek to improve our countermeasures to prevent such incidents, we may be unable to anticipate every scenario and it is possible that certain cyber threats or vulnerabilities will be undetected or unmitigated in time to prevent an attack on us and our customers. Cybersecurity attacks could require significant expenditures of our capital and diversion of our resources. Additionally, efforts by malicious cyber actors or others could cause interruptions, delays or cessation of our product licensing, or modification of our software, which could cause us to lose existing or potential customers. A successful cybersecurity attack involving our products and IT infrastructure could also negatively impact the market perception of their effectiveness.

Any theft or misuse of confidential, personally identifiable or proprietary information could disrupt our business and result in, among other things, unfavorable publicity, damage to our reputation, loss of our trade secrets and other competitive information, difficulty in marketing our products, allegations by our customers that we have not performed our contractual obligations, litigation by affected parties and possible financial obligations for liabilities and damages related to the theft or misuse of such information, as well as fines and other sanctions resulting from any related breaches of data privacy regulations (such as the General Data Protection Regulation), any of which could have a material adverse effect on our business, profitability and financial condition. Since the techniques used to obtain unauthorized access to systems or to otherwise sabotage them, change frequently and are often not recognized until launched against a target, we may be unable to anticipate these techniques or to implement adequate preventative measures.

We are required to assess our internal control over financial reporting on an annual basis and any adverse findings from such assessment could result in a loss of investor confidence in our financial reports, significant expense to remediate any internal control deficiencies and ultimately have an adverse effect on our stock price.

We are required to assess the effectiveness of our internal control over financial reporting annually, as required by Section 404 of the Sarbanes-Oxley Act. Even though, as of November 4, 2018, we concluded that our internal control over financial reporting was effective, we need to maintain our processes and systems and adapt them as our business grows and changes, including to reflect our integration of CA, as well as any future acquisitions we may undertake. This continuous process of maintaining and adapting our internal controls and complying with Section 404 is expensive, time consuming and requires significant management attention. We cannot be certain that our internal control measures will continue to provide adequate control over our financial processes and reporting and ensure compliance with Section 404. Furthermore, as we grow our business or acquire other businesses, our internal controls may become more complex and we may require significantly more resources to ensure they remain effective. Failure to implement required new or improved controls, or difficulties encountered in the implementation of such controls, either in our existing business or in businesses that we acquire, could harm our operating results or cause us to fail to meet our reporting obligations. If we or our independent registered public accounting firm identify material weaknesses in our internal controls, the disclosure of that fact, even if quickly remedied, may cause investors to lose confidence in our financial statements and the trading price of our common stock may decline.

Remediation of a material weakness could require us to incur significant expenses and if we fail to remedy any material weakness, our financial statements may be inaccurate, we may be required to restate our financial statements, our ability to report our financial results on a timely and accurate basis may be adversely affected, our access to the capital markets may be restricted, the trading price of our common stock may decline, and we may be subject to sanctions or investigation by regulatory authorities, including the SEC or The Nasdaq Global Select Market.

Current and future accounting pronouncements and other financial reporting standards, especially concerning revenue recognition, may negatively impact our financial results.

Our reported financial results are impacted by the accounting standards promulgated by the SEC and national accounting standards bodies and the methods, estimates and judgments that we use in applying those standards in our accounting policies. New standards, changes to existing standards and changes in their interpretation, have required and, in the future, may require us to change our accounting policies and procedures, or implement new or enhance existing systems. For example, Topic 606 became effective for us starting with fiscal year 2019. In connection with the CA Merger and our changes to CA's business strategy, including our adoption of a policy that allows customers to terminate their CA software contracts for convenience, we have been required to establish revenue recognition accounting policies and procedures under Topic 606 that we believe are appropriate for the business as we intend to conduct it. While we believe our policies and procedures are reasonable and appropriate, they are based on methods, estimates and judgments that are subject to risks, uncertainties, assumptions and changes that could adversely affect our reported financial position and financial results.

Fluctuations in foreign exchange rates could result in losses.

We operate global businesses and our consolidated financial results are reported in U.S. dollars. However, some of the revenue and expenses of our foreign subsidiaries are denominated in local currencies. Fluctuations in foreign exchange rates against the U.S. dollar could result in substantial changes in reported revenues and operating results due to the foreign exchange impact of translating these transactions into U.S. dollars.

In the normal course of business, we employ various hedging strategies to partially mitigate these risks, including the use of derivative instruments. These strategies may not be effective in protecting us against the effects of fluctuations in foreign exchange rates. As a result, fluctuations in foreign exchange rates could result in financial losses.

The enactment of legislation implementing changes in taxation of international business activities, the adoption of other corporate tax reform policies, or changes in tax legislation or policies could materially impact our financial position and results of operations.

Corporate tax reform, base-erosion efforts and tax transparency continue to be high priorities in many tax jurisdictions where we have business operations. As a result, policies regarding corporate income and other taxes in numerous jurisdictions are under heightened scrutiny and tax reform legislation is being proposed or enacted in a number of jurisdictions. For example, the 2017 Tax Reform Act adopted broad U.S. corporate income tax reform, which among other things, reduced the U.S. corporate income tax rate, but imposed base-erosion prevention measures on earnings of non-U.S. subsidiaries of U.S. entities as well as the transition tax on mandatory deemed repatriation of accumulated non-U.S. earnings of U.S. controlled foreign corporations.

In addition, many countries are beginning to implement legislation and other guidance to align their international tax rules with the Organisation for Economic Co-operation and Development's Base Erosion and Profit Shifting recommendations and action plan that aim to standardize and modernize global corporate tax policy, including changes to cross-border tax, transfer pricing documentation rules, and nexus-based tax incentive practices. As a result of the heightened scrutiny of corporate taxation policies, prior decisions by tax authorities regarding treatments and positions of corporate income taxes could be subject to enforcement activities, and legislative investigation and inquiry, which could also result in changes in tax policies or prior tax rulings. Any such changes in policies or rulings may also result in the taxes we previously paid being subject to change.

Any substantial changes in domestic or international corporate tax policies, regulations or guidance, enforcement activities or legislative initiatives may materially adversely affect our business, the amount of taxes we are required to pay and our financial condition and results of operations generally.

If the tax incentive or tax holiday arrangements we have negotiated in Singapore and other jurisdictions change or cease to be in effect or applicable, in part or in whole, for any reason, or if our assumptions and interpretations regarding tax laws and incentive or holiday arrangements prove to be incorrect, the amount of corporate income taxes we have to pay could significantly increase.

Our operations are currently structured to benefit from the various tax incentives and tax holidays extended to us in various jurisdictions to encourage investment or employment. For example, our principal tax incentive from the Singapore Economic Development Board, an agency of the Government of Singapore, provides that any qualifying income we earn in Singapore is subject to a tax incentive or reduced rates of Singapore income tax. Absent this tax incentive, the corporate income tax rate that would otherwise apply to our Singapore taxable income would be 17%. This Singapore tax incentive is expected to expire in November 2025, subject to potential extensions, which we may or may not be able to obtain, and any subsequent changes in incentive scope or legislative developments. We also have a tax holiday on our qualifying income in Malaysia, which is scheduled to expire in fiscal year 2028. The tax incentives and tax holiday that we have obtained are also subject to our compliance with various operating and other conditions and may, in some instances, be amended or terminated prior to their scheduled termination date by the relevant governmental authority. If we cannot, or elect not to, comply with the operating conditions included in any particular tax incentive or tax holiday, we could, in some instances, be required to refund previously realized material tax benefits, or if such tax incentive or tax holiday is terminated prior to its expiration absent a new incentive applying, we will lose the related tax benefits earlier than scheduled. Depending on the incentive at issue, we could also be required to modify our operational structure and tax strategy in order to keep the incentive, which may not be as beneficial to us as the present structure or tax strategy. Our tax incentives and tax holiday increased the benefit from income taxes by approximately \$590 million in the aggregate and increased diluted net income per share by \$1.37 for fiscal year 2018.

Our interpretations and conclusions regarding the tax incentives are not binding on any taxing authority, and if our assumptions about tax and other laws are incorrect or if these tax incentives are substantially modified or rescinded, we could suffer material adverse tax and other financial consequences, which would increase our expenses, reduce our profitability and adversely affect our cash flows.

Our provision for income taxes and overall cash tax costs are affected by a number of factors, including reorganizations or restructurings of our businesses or assets, jurisdictional revenue mix and changes in tax regulations or policy, and may be further impacted by corporate transactions, all of which could materially, adversely affect financial results.

We are a multinational company subject to tax in various tax jurisdictions. Significant judgment is required in determining our worldwide provision for income taxes. In the ordinary course of our business, there are many transactions where the ultimate tax determination is uncertain. Additionally, our calculations of income taxes payable currently and on a deferred basis are based on our interpretations of applicable tax laws in the jurisdictions in which we are required to file tax returns.

Our provision for income taxes is subject to volatility and could be adversely affected by numerous factors including:

- reorganization or restructuring of our businesses, tangible and intangible assets, outstanding indebtedness and corporate structure, such as the Redomiciliation Transaction or in connection with acquiring businesses;
- jurisdictional mix of our income and assets, and the resulting tax effects of differing tax rates in different countries;
- changes in the allocation of income and expenses, including adjustments related to changes in our corporate structure, acquisitions or tax law;
- changes in transfer pricing rules or methods of applying these rules;
- changes in tax laws, including in the U.S., changes to the taxation of earnings of foreign subsidiaries, the deductibility of expenses attributable to income and foreign tax credit rules;
- tax effects of increases in non-deductible employee compensation;
- changes in tax accounting rules or principles and in the valuation of deferred tax assets and liabilities;
- outcomes of income tax audits; and
- modifications, expiration, lapses or termination of tax credits or incentives.

We have also adopted transfer pricing policies between our affiliated entities. Our policies call for the provision of services, the sale of products, the advance of financing and grant of licenses from one affiliate to another at prices that we believe are negotiated on an arm's length basis. Our taxable income in any jurisdiction is dependent upon acceptance of our operational practices and intercompany transfer pricing by local tax authorities as being on an arm's length basis. Due to inconsistencies in application of the arm's length standard among taxing authorities, as well as lack of comprehensive treaty-based protection, transfer pricing challenges by tax authorities could, if successful, result in adjustments for prior or future years. As a result of these adjustments, we could become subject to higher taxes and our earnings and results of operations would be adversely affected in any period in which such determination is made.

Although we believe our tax estimates are reasonable, there is no assurance that the final determination of our income tax liability will not be materially different than what is reflected in our income tax provisions and accruals. Significant judgment is required to determine the recognition and measurement of tax liabilities prescribed in the relevant accounting guidance for uncertainty in income taxes. The accounting guidance for uncertainty in income taxes applies to all income tax positions, which, if resolved unfavorably, could adversely impact our provision for income taxes and our payment obligation with respect to any such taxes.

In addition, we are subject to, and are under, tax audit in various jurisdictions, and such jurisdictions may assess additional income tax against us. Although we believe our tax positions are reasonable, the final determination of tax audits could be materially different from our income tax provisions and accruals. The ultimate result of an audit could have a material adverse effect on our results of operations and cash flows in the period or periods for which that determination is made.

The Internal Revenue Service may not agree that prior to the Redomiciliation Transaction Broadcom-Singapore should have been treated as a foreign corporation for U.S. federal income tax purposes.

Although Broadcom-Singapore is a Singapore entity, the Internal Revenue Service ("IRS") may assert that following our acquisition of BRCM, Broadcom-Singapore should have been treated as a U.S. corporation for U.S. federal income tax purposes pursuant to Section 7874 of the Internal Revenue Code of 1986, as amended (the "Code"). If the IRS were to determine that under Section 7874 of the Code, the former shareholders of BRCM held at least 60% of the vote or value of the ordinary shares of Broadcom-Singapore immediately after our acquisition of BRCM, such percentage referred to as the "Section 7874 Percentage", Broadcom-Singapore would be treated as a "surrogate foreign corporation" and several limitations could then apply to BRCM. For example, BRCM would be prohibited from using its net operating losses, foreign tax credits or other tax attributes to offset the income or gain recognized by reason of the transfer of property to a foreign related person during the 10-year period following our acquisition of BRCM or any income received or accrued during such period by reason of a license of any property by BRCM to a foreign related person. Moreover, in such case, Section 4985 of the Code and rules related

thereto would impose an excise tax on the value of certain stock compensation held directly or indirectly by certain BRCM "disqualified individuals" (including former officers and directors of BRCM) at a rate equal to 15%, but only if a gain is otherwise recognized by BRCM former shareholders as a result of our acquisition of BRCM. If the IRS were to determine the Section 7874 Percentage was 80% or more, then Broadcom-Singapore would be treated as a U.S. corporation for U.S. federal income tax purposes.

While we believe the Section 7874 Percentage was significantly less than 60%, determining the Section 7874 Percentage is complex and is subject to factual and legal uncertainties. There can be no assurance that the IRS will agree with our position.

Risks Relating to Our Indebtedness

Our substantial indebtedness could adversely affect our financial health and our ability to raise additional capital to fund our operations or potential acquisitions, could limit our ability to react to changes in the economy or our industry, and exposes us to interest rate risk to the extent of our variable rate indebtedness and prevent us from fulfilling our obligations under our indebtedness.

As of August 4, 2019, our indebtedness under the 2017 Senior Notes, the 2019 Senior Notes and the Assumed CA Senior Notes was \$17,550 million, \$11,000 million and \$2,250 million, respectively. In addition, \$6,000 million was outstanding under the 2019 Term Loans. This amount does not reflect any debt that we may incur in connection with the acquisition of the Symantec Business. We expect to maintain significant levels of indebtedness going forward.

Our substantial indebtedness could have important consequences including:

- increasing our vulnerability to adverse general economic and industry conditions;
- exposing us to interest rate risk due to our variable rate term facilities, which we do not typically hedge against;
- 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;
- making it more difficult to borrow additional funds in the future to fund growth, acquisitions, working capital, capital expenditures and other purposes; and
- potentially 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 our other business needs.

In addition, our variable rate indebtedness may use LIBOR as a benchmark for establishing the rate. LIBOR is the subject of recent national, international and other regulatory guidance and proposals for reform. These reforms and other pressures may cause LIBOR to disappear entirely or to perform differently than in the past. The consequences of these developments cannot be entirely predicted, but could include an increase in the cost of our variable rate indebtedness.

We receive debt ratings from the major credit rating agencies in the U.S. 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. While we are focused on maintaining investment grade ratings from these agencies, we may be unable to do so. Any downgrade in our credit rating or the ratings of our indebtedness, or adverse conditions in the debt capital markets, could:

- adversely affect the trading price of, or market for, our debt securities;
- increase interest expense under our term facilities;
- increase the cost of, and adversely affect our ability to refinance, our existing debt; and
- adversely affect our ability to raise additional debt.

The instruments governing our indebtedness impose certain restrictions on our business.

The instruments governing our indebtedness contain certain covenants imposing restrictions on our business. These restrictions may affect our ability to operate our business, to plan for, or react to, changes in the market conditions or our capital needs and may limit our ability to take advantage of potential business opportunities as they arise. The restrictions placed on us include maintenance of an interest coverage ratio and limitations on our ability to incur certain secured debt, enter into certain sale and lease-back transactions and consolidate, merge, sell or otherwise dispose of all or substantially all of our assets. In addition, the instruments contain customary events of default upon the occurrence of which, after any applicable grace period, the indebtedness could be declared immediately due and payable. 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 adversely affect our business, financial condition and results of operations.

Servicing our debt requires a significant amount of cash, and we may not have sufficient cash flow from our business to pay our substantial debt.

Our ability to make scheduled payments of the principal of, to pay interest on, and to refinance our debt, depends on our future performance, which is subject to economic, financial, competitive and other factors. Our business may not continue to generate cash flow from operations in the future sufficient to satisfy our obligations under our current indebtedness and any future indebtedness we may incur and to make necessary capital expenditures. If we are unable to generate such cash flow, we may be required to adopt one or more alternatives, such as reducing or delaying investments or capital expenditures, selling assets, refinancing or obtaining additional equity capital on terms that may be onerous or highly dilutive. Our ability to refinance our outstanding indebtedness or future indebtedness will depend on the capital markets and our financial condition at such time. We may not be able to engage in any of these activities or engage in these activities on desirable terms when needed, which could result in a default on our indebtedness.

Risks Relating to Owning Our Common Stock

At times, our stock price has been volatile and it may fluctuate substantially in the future, which could result in substantial losses for our investors as well as class action litigation against us and our management which could cause us to incur substantial costs and divert our management's attention and resources.

The trading price of our common stock has, at times, fluctuated significantly and could be subject to wide fluctuations in response to any of the risk factors listed in this "Risk Factors" section, and others, including:

- actual or anticipated fluctuations in our financial condition and operating results;
- issuance of new or updated research or other reports by securities analysts;
- fluctuations in the valuation and results of operations of our significant customers as well as companies perceived by investors to be comparable to us;
- announcements of proposed acquisitions by us or our competitors;
- announcements of, or expectations of, additional debt or equity financing transactions;
- stock price and volume fluctuations attributable to inconsistent trading volume levels of our common stock;
- changes in our dividend or stock repurchase policies;
- the initiation or conclusion of legal proceedings or government inquiries or investigations involving Broadcom;
- announcement or imposition of restrictive governmental actions, such as import/export restrictions, duties and quotas, trade sanctions or customs duties and tariffs that may affect our business; and
- unsubstantiated news reports or other inaccurate publicity regarding us or our business.

These fluctuations are often unrelated or disproportionate to our operating performance. Broad market and industry fluctuations, as well as general economic, political and market conditions such as recessions, interest rate changes or currency fluctuations, may negatively impact the market price of our common stock. You may not realize any return on your investment in us and may lose some or all of your investment. In the past, companies that have experienced volatility in the market price of their stock have been subject to securities class action litigation. We may be the target of this type of litigation in the future. We are also the subject of a number of lawsuits stemming from our acquisitions. Securities litigation against us, including the lawsuits related to such transactions, could result in substantial costs and divert our management's attention from other business concerns, which could seriously harm our business.

The amount and frequency of our stock repurchases may fluctuate.

The amount, timing and execution of our stock repurchase program may fluctuate based on our priorities for the use of cash for other purposes. These purposes include operational spending, capital spending, acquisitions, repayment of debt and returning cash to our stockholders as dividend payments. Changes in cash flows, tax laws and our stock price could also impact our stock repurchase program.

A substantial amount of our stock is held by a small number of large investors and significant sales of our common stock in the public market by one or more of these holders could cause our stock price to fall.

As of June 30, 2019, we believe 11 of our 20 largest stockholders were active institutional investors who held approximately 32% of our outstanding shares of common stock in the aggregate, with Capital World Investors being our largest stockholder with approximately 11% of our outstanding shares of common stock. These investors may sell their shares at any time for a variety of reasons and such sales could depress the market price of our common stock. In addition, any such

sales of our common stock by these entities could also impair our ability to raise capital through the sale of additional equity securities.

There can be no assurance that we will continue to declare cash dividends.

Our Board of Directors has adopted a dividend policy pursuant to which we currently pay a cash dividend on our common stock on a quarterly basis. The declaration and payment of any dividend is subject to the approval of our Board of Directors and our dividend may be discontinued or reduced at any time. There can be no assurance that we will declare cash dividends in the future in any particular amounts, or at all.

Future dividends, if any, and their timing and amount, may be affected by, among other factors: management's views on potential future capital requirements for strategic transactions, including acquisitions; earnings levels; contractual restrictions; our stock repurchase program; cash position and overall financial condition; and changes to our business model. The payment of cash dividends is restricted by applicable law, contractual restrictions and our corporate structure. Because we are a holding company, our ability to pay cash dividends is also limited by restrictions or limitations on our ability to obtain sufficient funds through dividends from subsidiaries.

Our actual operating results may differ significantly from our guidance.

From time to time, we release guidance regarding our future performance that represents our management's estimates as of the date of release. This guidance, which consists of forward-looking statements, is prepared by our management and is qualified by, and subject to, the assumptions and the other information contained or referred to in the release. Our guidance is not prepared with a view toward compliance with published guidelines of the American Institute of Certified Public Accountants, and neither any independent registered public accounting firm nor any other independent expert or outside party compiles, examines or reviews the guidance and, accordingly, no such person expresses any opinion or any other form of assurance with respect thereto.

Guidance is based upon a number of assumptions and estimates that, while presented with numerical specificity, is inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond our control and are based upon specific assumptions with respect to future business decisions, some of which will change. We generally state possible outcomes as high and low ranges which are intended to provide a sensitivity analysis as variables are changed but are not intended to represent that actual results could not fall outside of these ranges. The principal reason that we release this data is to provide a basis for our management to discuss our business outlook with analysts and investors. We do not accept any responsibility for any projections or reports published by any such persons.

Guidance is necessarily speculative in nature, and it can be expected that some or all of the assumptions of the guidance furnished by us will not materialize or will vary significantly from actual results, particularly any guidance relating to the results of operations of acquired businesses or companies as our management will, necessarily, be less familiar with their business, procedures and operations. Accordingly, our guidance is only an estimate of what management believes is realizable as of the date of release. Actual results will vary from the guidance and the variations may be material. Investors should also recognize that the reliability of any forecasted financial data will diminish the farther in the future that the data are forecast. In light of the foregoing, investors are urged to put the guidance in context and not to place undue reliance on it.

Any failure to successfully implement our operating strategy or the occurrence of any of the events or circumstances set forth in this Quarterly Report on Form 10-Q could result in the actual operating results being different than the guidance, and such differences may be adverse and material.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**Issuer Purchases of Equity Securities**

On December 5, 2018, our Board of Directors authorized an increase to our previously authorized \$12 billion stock repurchase program to a total of \$18 billion. This authorization covers repurchases through November 3, 2019, the end of our fiscal year 2019.

The following table presents details of our various repurchases during the fiscal quarter ended August 4, 2019:

Period	Total Number of Shares Purchased (a)	Average Price per Share	Total Number of Shares Purchased as Part of Publicly Announced Plan (a)	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plan
(In millions, except per share data)				
May 6, 2019 — June 2, 2019 (b)	—	\$ 276.15	—	\$ 6,316
June 3, 2019 — June 30, 2019	1	\$ 271.74	1	\$ 6,034
July 1, 2019 — August 4, 2019	1	\$ 287.77	1	\$ 5,740
Total	2	\$ 278.92	2	

(a) We also paid approximately \$241 million in employee withholding taxes due upon the vesting of, and related to net settled equity awards. We withheld approximately 1 million shares of common stock from employees in connection with such net share settlement at an average price of \$271.96 per share. These shares may be deemed to be “issuer purchases” of shares and are not included in this table.

(b) Shares repurchased were less than 0.5 million shares.

Repurchases under our stock repurchase program may be effected through a variety of methods, including open market or privately negotiated purchases in compliance with Rule 10b-18 promulgated under the Exchange Act, which may include purchases under plans complying with Rule 10b5-1 of the Exchange Act. The timing and number of shares of common stock repurchased will depend on a variety of factors, including price, general business and market conditions and alternative investment opportunities. We are not obligated to repurchase any specific number of shares of common stock, and we may suspend or discontinue our stock repurchase program at any time.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

None.

Item 6. Exhibits**EXHIBIT INDEX**

Exhibit Number	Description	Incorporated by Reference Herein		Filed Herewith
		Form	Filing Date	
2.1#	Agreement and Plan of Merger, dated May 28, 2015, by and among Pavonia Limited, Avago Technologies Limited, Safari Cayman L.P., Avago Technologies Cayman Holdings Ltd., Avago Technologies Cayman Finance Limited, Buffalo CS Merger Sub, Inc., Buffalo UT Merger Sub, Inc. and Broadcom Corporation.	Avago Technologies Limited Current Report on Form 8-K (Commission File No. 001-34428)	May 29, 2015	
2.2	Amendment No. 1 to Agreement and Plan of Merger, dated July 29, 2015, by and between Avago Technologies Limited and Broadcom Corporation.	Avago Technologies Limited Current Report on Form 8-K (Commission File No. 001-34428)	July 31, 2015	
2.3#	Agreement and Plan of Merger, dated November 2, 2016, by and among Brocade Communications Systems, Inc., Broadcom Limited, Broadcom Corporation and Bobcat Merger Sub, Inc.	Broadcom Limited Current Report on Form 8-K/A (Commission File No. 001-37690)	November 2, 2016	
2.4#	Agreement and Plan of Merger, dated as of July 11, 2018, by and among Broadcom Inc., Collie Acquisition Corp. and CA, Inc.	Broadcom Inc. Current Report on Form 8-K (Commission File No. 333-222898)	July 12, 2018	
2.5#	Asset Purchase Agreement, dated August 8, 2019, by and between Broadcom Inc. and Symantec Corporation.	Broadcom Inc. Current Report on Form 8-K (Commission File No. 333-222898)	August 9, 2019	
3.1	Amended and Restated Certificate of Incorporation	Broadcom Inc. Current Report on Form 8-K12B (Commission File No. 333-222898)	April 4, 2018	
3.2	Amended and Restated Bylaws	Broadcom Inc. Current Report on Form 8-K12B (Commission File No. 333-222898)	April 4, 2018	
4.1	Form of Common Stock Certificate.	Broadcom Inc. Quarterly Report on Form 10-Q (Commission File No. 333-222898)	June 14, 2018	
4.2	Indenture, dated as of January 19, 2017, by and among the Broadcom Corporation and Broadcom Cayman Finance Limited (the "Co-Issuers"), the Company, Broadcom Cayman L.P., and BC Luxembourg S.à r.l., as guarantors, and Wilmington Trust, National Association, as trustee.	Broadcom Limited Current Report on Form 8-K (Commission File No. 001-37690)	January 20, 2017	
4.3	Supplement Indenture to the January 2017 Indenture, dated as of April 9, 2018.	Broadcom Inc. Current Report on Form 8-K (Commission File No. 333-222898)	April 9, 2018	
4.4	Second Supplement Indenture to the January 2017 Indenture, dated as of January 25, 2019.	Broadcom Inc. Current Report on Form 8-K (Commission File No. 333-222898)	January 25, 2019	
4.5	Form of 2.375% Senior Note due 2020 (included in Exhibit 4.2).	Broadcom Limited Current Report on Form 8-K (Commission File No. 001-37690)	January 20, 2017	
4.6	Form of 3.000% Senior Note due 2022 (included in Exhibit 4.2).	Broadcom Limited Current Report on Form 8-K (Commission File No. 001-37690)	January 20, 2017	
4.7	Form of 3.625% Senior Note due 2024 (included in Exhibit 4.2).	Broadcom Limited Current Report on Form 8-K (Commission File No. 001-37690)	January 20, 2017	
4.8	Form of 3.875% Senior Note due 2027 (included in Exhibit 4.2).	Broadcom Limited Current Report on Form 8-K (Commission File No. 001-37690)	January 20, 2017	
4.9	Indenture, dated as of October 17, 2017, by and among the Co-Issuers, the Company and Broadcom Cayman L.P., as guarantors, and Wilmington Trust, National Association, as trustee.	Broadcom Limited Current Report on Form 8-K (Commission File No. 001-37690)	October 17, 2017	
4.10	Supplemental Indenture to October 2017 Indenture, dated as of April 9, 2018.	Broadcom Inc. Current Report on Form 8-K (Commission	April 9, 2018	

		File No. 333-222898)	
4.11	Second Supplemental Indenture to October 2017 Indenture, dates as of January 25, 2019.	Broadcom Inc. Current Report on Form 8-K (Commission File No. 333-222898)	January 25, 2019
4.12	Form of 2.200% Senior Note due 2021 (included in Exhibit 4.9).	Broadcom Limited Current Report on Form 8-K (Commission File No. 001-37690)	October 17, 2017
4.13	Form of 2.650% Senior Note due 2023 (included in Exhibit 4.9).	Broadcom Limited Current Report on Form 8-K (Commission File No. 001-37690)	October 17, 2017
4.14	Form of 3.125% Senior Note due 2025 (included in Exhibit 4.9).	Broadcom Limited Current Report on Form 8-K (Commission File No. 001-37690)	October 17, 2017
4.15	Form of 3.500% Senior Note due 2028 (included in Exhibit 4.9).	Broadcom Limited Current Report on Form 8-K (Commission File No. 001-37690)	October 17, 2017
4.16	Indenture, dated as of April 5, 2019, by and among the Company, as Issuer, Broadcom Technologies Inc., Broadcom Corporation and Broadcom Cayman Finance Limited (the "2019 Guarantors"), and Wilmington Trust, National Association, as trustee.	Broadcom Inc. Current Report on Form 8-K12B (Commission File No. 333-222898)	April 5, 2019
4.17	Form of 3.125% Senior Notes due 2021 (included in Exhibit 4.16).	Broadcom Inc. Current Report on Form 8-K12B (Commission File No. 333-222898)	April 5, 2019
4.18	Form of 3.125% Senior Notes due 2022 (included in Exhibit 4.16).	Broadcom Inc. Current Report on Form 8-K12B (Commission File No. 333-222898)	April 5, 2019
4.19	Form of 3.625% Senior Notes due 2024 (included in Exhibit 4.16).	Broadcom Inc. Current Report on Form 8-K12B (Commission File No. 333-222898)	April 5, 2019
4.20	Form of 4.250% Senior Notes due 2026 (included in Exhibit 4.16).	Broadcom Inc. Current Report on Form 8-K12B (Commission File No. 333-222898)	April 5, 2019
4.21	Form of 4.750% Senior Notes due 2029 (included in Exhibit 4.16).	Broadcom Inc. Current Report on Form 8-K12B (Commission File No. 333-222898)	April 5, 2019
4.22	Registration Rights Agreement, dated as of April 5, 2019, by and among the Company, the 2019 Guarantors and Merrill Lynch, Pierce, Fenner & Smith Incorporated and J.P. Morgan Securities LLC, as representatives of the several initial purchasers of the 2019 Senior Notes.	Broadcom Inc. Current Report on Form 8-K12B (Commission File No. 333-222898)	April 5, 2019
10.1	Credit Agreement, dated as of May 7, 2019, among the Company, the lenders and other parties party thereto, and Bank of America, N.A., as administrative agent.	Broadcom Inc. Current Report on Form 8-K (Commission File No. 333-222898)	May 7, 2019
31.1	Certification of Principal Executive Officer of Broadcom Inc. Pursuant to Rule 13a-14 of the Securities Exchange Act of 1934, As Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.		X
31.2	Certification of Principal Financial Officer of Broadcom Inc. Pursuant to Rule 13a-14 of the Securities Exchange Act of 1934, As Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.		X
32.1	Certification of Principal Executive Officer of Broadcom Inc. Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.		X
32.2	Certification of Principal Financial Officer of Broadcom Inc. Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.		X
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because		X

its XBRL tags are embedded within the Inline XBRL document.

101.SCH	XBRL Schema Document	X
101.CAL	XBRL Calculation Linkbase Document	X
101.DEF	XBRL Definition Linkbase Document	X
101.LAB	XBRL Labels Linkbase Document	X
101.PRE	XBRL Presentation Linkbase Document	X
104	Cover Page Interactive Data File - the cover page interactive data file does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.	X

Schedules have been omitted pursuant to Item 601(b)(2) of Regulation S-K. Broadcom Inc. hereby undertakes to furnish supplementally copies of any omitted schedules upon request by the SEC.

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.

BROADCOM INC.

By: /s/ Thomas H. Krause, Jr.

Thomas H. Krause, Jr.

Chief Financial Officer

Date: September 13, 2019

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002**

I, Hock E. Tan, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Broadcom Inc.;
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: September 13, 2019

/s/ Hock E. Tan

Hock E. Tan

Chief Executive Officer

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002**

I, Thomas H. Krause, Jr., certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Broadcom Inc.;
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: September 13, 2019

/s/ Thomas H. Krause, Jr.

Thomas H. Krause, Jr.

Chief Financial Officer and Principal Financial Officer

**CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Broadcom Inc. (the "Company") for the fiscal quarter ended August 4, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Hock E. Tan, Chief Executive Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: September 13, 2019

/s/ Hock E. Tan

Hock E. Tan

Chief Executive Officer

The foregoing certification is being furnished solely pursuant to 18 U.S.C. § 1350 and is not being filed as part of the Report or as a separate disclosure document.

**CERTIFICATION OF THE PRINCIPAL FINANCIAL OFFICER PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Broadcom Inc. (the "Company") for the fiscal quarter ended August 4, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Thomas H. Krause, Jr., Chief Financial Officer and Principal Financial Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: September 13, 2019

/s/ Thomas H. Krause, Jr.

Thomas H. Krause, Jr.

Chief Financial Officer and Principal Financial Officer

The foregoing certification is being furnished solely pursuant to 18 U.S.C. § 1350 and is not being filed as part of the Report or as a separate disclosure document.