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 February 3, 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	001-38449	35-2617337
(State or other jurisdiction of incorporation or organization)	(Commission file Number)	(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 o

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 o

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	o	Non-accelerated filer	o	Smaller reporting company	o	Emerging growth company	o

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. o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES o NO ☑

As of March 1, 2019, there were 395,845,660 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 February 3, 2019

TABLE OF CONTENTS

PART I — FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements — Unaudited

BROADCOM INC.

INDEX TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — UNAUDITED

BROADCOM INC.
CONDENSED CONSOLIDATED BALANCE SHEETS — UNAUDITED

	February 3, 2019	November 4, 2018
	(In millions, except par value)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 5,093	$ 4,292
Trade accounts receivable, net	3,677	3,325
Inventory	1,074	1,124
Other current assets	760	366
Total current assets	10,604	9,107
Long-term assets:		
Property, plant and equipment, net	2,684	2,635
Goodwill	36,647	26,913
Intangible assets, net	21,493	10,762
Other long-term assets	682	707
Total assets	$ 72,110	$ 50,124
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 738	$ 811
Employee compensation and benefits	463	715
Current portion of long-term debt	3,537	—
Other current liabilities	3,611	812
Total current liabilities	8,349	2,338
Long-term liabilities:		
Long-term debt	34,104	17,493
Other long-term liabilities	6,433	3,636
Total liabilities	48,886	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 February 3, 2019 or November 4, 2018	—	—
Common stock and additional paid-in capital, $0.001 par value; 2,900 shares authorized; 396 and 408 shares issued and outstanding as of February 3, 2019 and November 4, 2018, respectively	23,081	23,285
Retained earnings	259	3,487
Accumulated other comprehensive loss	(116)	(115)
Total stockholders' equity	23,224	26,657
Total liabilities and stockholders' equity	$ 72,110	$ 50,124

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

Table of Contents

BROADCOM INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS — UNAUDITED

	Fiscal Quarter Ended	
	February 3, 2019	February 4, 2018
	(In millions, except per share data)	
Net revenue:		
Products	$ 4,639	$ 5,108
Subscriptions and services	1,150	219
Total net revenue	5,789	5,327
Cost of revenue:		
Cost of products sold	1,554	1,876
Cost of subscriptions and services	138	23
Purchase accounting effect on inventory	—	70
Amortization of acquisition-related intangible assets	833	715
Restructuring charges	56	15
Total cost of revenue	2,581	2,699
Gross margin	3,208	2,628
Research and development	1,133	925
Selling, general and administrative	471	291
Amortization of acquisition-related intangible assets	476	339
Restructuring, impairment and disposal charges	573	130
Total operating expenses	2,653	1,685
Operating income	555	943
Interest expense	(345)	(183)
Other income, net	68	35
Income from continuing operations before income taxes	278	795
Benefit from income taxes	(203)	(5,786)
Income from continuing operations	481	6,581
Loss from discontinued operations, net of income taxes	(10)	(15)
Net income	471	6,566
Net income attributable to noncontrolling interest	—	336
Net income attributable to common stock	$ 471	$ 6,230
Basic income (loss) per share:		
Income per share from continuing operations	$ 1.20	$ 15.23
Loss per share from discontinued operations	(0.03)	(0.03)
Net income per share	$ 1.17	$ 15.20
Diluted income (loss) per share:		
Income per share from continuing operations	$ 1.15	$ 14.66
Loss per share from discontinued operations	(0.03)	(0.04)
Net income per share	$ 1.12	$ 14.62
Weighted-average shares:		
Basic	401	410
Diluted	419	426

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	
	February 3, 2019	February 4, 2018
	(In millions)	
Net income	$ 471	$ 6,566
Other comprehensive income, net of tax:		
Unrealized gain on available-for-sale investments	—	9
Other comprehensive income	—	9
Comprehensive income	471	6,575
Comprehensive income attributable to noncontrolling interest	—	336
Comprehensive income attributable to common stock	$ 471	$ 6,239

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

BROADCOM INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS — UNAUDITED

	Fiscal Quarter Ended	
	February 3, 2019	February 4, 2018
	(In millions)	
Cash flows from operating activities:		
Net income	$ 471	$ 6,566
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of intangible assets	1,316	1,058
Depreciation	143	126
Stock-based compensation	465	299
Deferred taxes and other non-cash taxes	(379)	(5,832)
Non-cash restructuring, impairment and disposal charges	92	5
Non-cash interest expense	13	6
Other	(21)	3
Changes in assets and liabilities, net of acquisitions and disposals:		
Trade accounts receivable, net	68	199
Inventory	50	250
Accounts payable	(169)	(403)
Employee compensation and benefits	(458)	(376)
Contributions to defined benefit pension plans	—	(129)
Other current assets and current liabilities	506	284
Other long-term assets and long-term liabilities	35	(371)
Net cash provided by operating activities	2,132	1,685
Cash flows from investing activities:		
Acquisitions of businesses, net of cash acquired	(16,027)	(4,786)
Proceeds from sales of businesses	957	782
Purchases of property, plant and equipment	(99)	(220)
Proceeds from disposals of property, plant and equipment	—	237
Purchases of investments	—	(244)
Other	(24)	4
Net cash used in investing activities	(15,193)	(4,227)
Cash flows from financing activities:		
Proceeds from long-term borrowings	17,896	—
Repayment of debt	—	(856)
Payment of debt issuance costs	(46)	—
Other borrowings	531	—
Dividend and distribution payments	(1,067)	(755)
Repurchases of common stock - repurchase program	(3,436)	—
Shares repurchased for tax withholdings on vesting of equity awards	(77)	—
Issuance of common stock	62	34
Other	(1)	(9)
Net cash provided by (used in) financing activities	13,862	(1,586)
Net change in cash and cash equivalents	801	(4,128)
Cash and cash equivalents at beginning of period	4,292	11,204
Cash and cash equivalents at end of period	$ 5,093	$ 7,076

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

BROADCOM INC.
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY — UNAUDITED

	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 November 4, 2018	—	$ —	408	$23,285	$ 3,487	$ (115)	$ 26,657	$ —	$26,657
Net income	—	—	—	—	471	—	471	—	471
Cumulative effect of accounting changes	—	—	—	—	8	(1)	7	—	7
Fair value of partially vested equity awards assumed in connection with the acquisition of CA, Inc.	—	—	—	67	—	—	67	—	67
Cash dividends declared and paid to stockholders	—	—	—	—	(1,067)	—	(1,067)	—	(1,067)
Common stock issued	—	—	2	62	—	—	62	—	62
Stock-based compensation	—	—	—	540	—	—	540	—	540
Repurchases of common stock	—	—	(14)	(796)	(2,640)	—	(3,436)	—	(3,436)
Shares repurchased for tax withholdings on vesting of equity awards	—	—	—	(77)	—	—	(77)	—	(77)
Balance as of February 3, 2019	—	$ —	396	$23,081	$ 259	$ (116)	$ 23,224	$ —	$23,224
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

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., or Broadcom, a Delaware corporation, is the successor to Broadcom Limited (now Broadcom Pte. Ltd.), a Singapore company, or Broadcom-Singapore. On April 4, 2018, all Broadcom-Singapore outstanding ordinary shares were exchanged for newly issued shares of Broadcom Inc. common stock, or the Redomiciliation Transaction. As a result, Broadcom-Singapore became a wholly-owned subsidiary of Broadcom Inc. In addition, all outstanding exchangeable limited partnership units, or LP Units, of Broadcom Cayman L.P., or the Partnership, were mandatorily exchanged, or the Mandatory Exchange, for newly issued shares of Broadcom Inc. common stock and all limited partners of the Partnership became common stockholders of Broadcom Inc. Also, all related outstanding special preference shares of Broadcom-Singapore were automatically redeemed upon the Mandatory Exchange. The limited partners no longer hold a noncontrolling interest and we deregistered the Partnership.

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 for periods prior to April 4, 2018, the effective date of the Redomiciliation Transaction, relate to Broadcom-Singapore and relate to Broadcom Inc. for periods after April 4, 2018. Unless stated otherwise or the context otherwise requires, references to "Broadcom," "we," "our" and "us" mean Broadcom Inc. 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., or CA, for $16.1 billion, net of cash acquired, or 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, or 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, or 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, or 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 ends on May 5, 2019 and the third quarter ends on August 4, 2019. Our fiscal year ended November 4, 2018, or fiscal year 2018, was a 53-week fiscal year, with our 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, or 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, or SEC, but do not include all disclosures required by GAAP. All intercompany transactions and balances have been eliminated in consolidation. The operating results for the fiscal quarter ended February 3, 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 statement of operations and 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, or 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 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 costs 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 ended February 3, 2019, we also recognized $27 million of unrealized gains on equity securities within other income, net in our condensed consolidated statement of operations.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers, or 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, or 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 among other things, 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. The new guidance is required to be applied using a modified retrospective approach. We are evaluating the impact this guidance will have on our condensed consolidated financial statements.

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, or 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 which 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.

Warranty. We provide only assurance-type warranties on our products to our customers. As a result, we accrue for the estimated costs of product warranties at the time revenue is recognized. Product warranty costs are estimated based upon our historical experience and specific identification of the products requirements, which may fluctuate based on product mix. Additionally, we accrue for warranty costs associated with occasional or unanticipated product quality issues if a loss is probable and can be reasonably estimated.

Other policies and judgments

Significant financing component. Payment terms and conditions vary by contract, although terms generally include a requirement of payment within a specified period. In certain arrangements, we receive payment from a customer either before or after the performance obligation has been satisfied. The timing difference between the payment and satisfaction of performance obligations for the vast majority of our contracts is one year or less; therefore, for those contracts, we apply a practical expedient and do not consider the effects of the time value of money.

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, or 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 table presents revenue disaggregated by type of revenue and by region.

	Americas	Asia Pacific	Europe, the Middle East and Africa	Total
		(In millions)		
Products	$ 617	$ 3,720	$ 302	$ 4,639
Subscriptions and services*	816	114	220	1,150
Total	$ 1,433	$ 3,834	$ 522	$ 5,789

***** 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:

	Contract Assets	Contract Liabilities
	(In millions)	
Opening balance November 5, 2018*	$ 18	$ 272
Closing balance February 3, 2019	$ 173	$ 2,209

* 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.

The difference in the opening and closing balances of our contract assets and contract liabilities primarily results 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 recognized 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 fiscal quarter ended February 3, 2019 that was included in the contract liabilities balance as of November 5, 2018 was $93 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 where they are able to terminate for convenience without payment of a substantive penalty and 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 which have an original duration of one year or less nor have we included contract 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 February 3, 2019 was not significant. Since our customers generally may 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 have a policy to recognize an asset from the costs incurred to fulfill a contract that are not within the scope of another accounting literature. We have not incurred any costs to fulfill a contract that fall within the guidance and, as a result, no costs to fulfill a contract have been capitalized.

Changes in Accounting Policies

Except for the changes below, we have consistently applied the accounting policies to all periods presented in these condensed consolidated financial statements. We adopted Topic 606 with an initial application date of November 5, 2018. As a result, we have changed our accounting policy for revenue recognition as detailed above.

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.

Financial Statement Impact of Adopting Topic 606

We adopted Topic 606 using the modified retrospective method. The cumulative effect of applying the new guidance to all contracts with customers that were not completed by November 4, 2018 was recorded as an adjustment to retained earnings as of adoption on 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	November 4, 2018	Adjustments Due to Topic 606	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 table compares net revenue for the fiscal quarter ended February 3, 2019 to the pro forma amounts had the previous guidance been in effect. No other amounts in the condensed consolidated statement of operations for the fiscal quarter ended February 3, 2019 or in the condensed consolidated balance sheet as of February 3, 2019 were significantly affected by the new revenue guidance.

	Fiscal Quarter Ended February 3, 2019		
Statement of Operations	Proforma as if the previous accounting was in effect	Effect of Change Higher/(Lower)	As Reported
		(In millions)	
Net revenue:			
Products	$ 4,639	$ —	$ 4,639
Subscriptions and services	1,006	144	1,150
Total net revenue	$ 5,645	$ 144	$ 5,789

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 new term loans, as discussed in further detail 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. Partially vested assumed equity awards were 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	$ 1,692
Goodwill	9,734
Intangible assets	12,045
Other long-term assets	237
Total assets acquired	23,708
Other current liabilities	(1,966)
Long-term debt	(2,255)
Other long-term liabilities	(3,393)
Total liabilities assumed	(7,614)
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, or Thoma Bravo, 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 $102 million of real properties held-for-sale.

Revenue attributable to CA has been included in our infrastructure software segment. Transaction costs of $62 million related to the CA Merger were included in selling, general and administrative expense for the fiscal quarter ended February 3, 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, or 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:

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

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 fiscal quarter ended February 4, 2018, non-recurring pro forma adjustments directly attributable to the CA Merger included acquisition costs of $169 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			
	February 3, 2019		February 4, 2018	
	(In millions)			
Pro forma net revenue*	$	5,561	$	6,166
Pro forma net income attributable to common stock	$	795	$	4,844

***** Pro forma net revenue is presented under Topic 606 for the fiscal quarter ended February 3, 2019 and under Topic 605 for the fiscal quarter ended February 4, 2018.

Acquisition of Brocade Communications Systems, Inc.

On November 17, 2017, we acquired Brocade Communications Systems, Inc., or 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, or OEM, customers.

Unaudited Pro Forma Information

The following unaudited pro forma financial information presents combined results of operations for the period presented, as if Brocade had been acquired as of the beginning of our fiscal year ended October 29, 2017, or 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	
	February 4, 2018	
	(In millions)	
Pro forma net revenue*	$	5,447
Pro forma net income attributable to common stock	$	6,333

* Pro forma net revenue is presented under Topic 605 for the fiscal quarter ended February 4, 2018.

4. Supplemental Financial Information

Cash Equivalents

Cash equivalents included $1,111 million and $1,406 million of time deposits as of February 3, 2019 and November 4, 2018, respectively. As of February 3, 2019 and November 4, 2018, cash equivalents also included $318 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.

Inventory

	February 3, 2019	November 4, 2018
	(In millions)	
Finished goods	$ 445	$ 483
Work-in-process	511	505
Raw materials	118	136
Total inventory	$ 1,074	$ 1,124

Other Current Assets

	February 3, 2019	November 4, 2018
	(In millions)	
Prepaid expenses	$ 304	$ 243
Other (miscellaneous)	456	123
Total other current assets	$ 760	$ 366

Other Current Liabilities

	February 3, 2019	November 4, 2018
	(In millions)	
Contract liabilities	$ 1,692	$ 164
Notional pooling liabilities	549	—
Tax liabilities	656	162
Other (miscellaneous)	714	486
Total other current liabilities	$ 3,611	$ 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 through local currency accounts, so long as the aggregate global pooling position is a notionally calculated net cash deposit.

Other Long-Term Liabilities

	February 3, 2019	November 4, 2018
	(In millions)	
Unrecognized tax benefits (a) (b)	$ 3,250	$ 3,088
Deferred tax liabilities (a)	2,076	169
Contract liabilities	517	66
Other (miscellaneous)	590	313
Total other long-term liabilities	$ 6,433	$ 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	
	February 3, 2019	February 4, 2018
	(In millions)	
Cash paid for interest	$ 423	$ 232
Cash paid for income taxes	$ 95	$ 109

As of February 3, 2019 and November 4, 2018, we had $44 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	—
CA Merger	—	—	—	—	—	9,734	—	9,734
Balance as of February 3, 2019	$ —	$ —	$ —	$ —	$ 25,924	$ 10,714	$ 9	$ 36,647

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 February 3, 2019:			
Purchased technology	$ 20,783	$ (7,643)	$ 13,140
Customer contracts and related relationships	5,982	(1,107)	4,875
Order backlog	2,569	(227)	2,342
Trade names	712	(189)	523
Other	243	(63)	180
Intangible assets subject to amortization	30,289	(9,229)	21,060
IPR&D	433	—	433
Total	$ 30,722	$ (9,229)	$ 21,493
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	$ 18,679	$ (7,917)	$ 10,762

Based on the amount of intangible assets subject to amortization at February 3, 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)	$ 3,918
2020	5,024
2021	4,121
2022	3,153
2023	2,156
Thereafter	2,688
Total	$ 21,060

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

Amortizable intangible assets:	February 3, 2019
	(In years)
Purchased technology	6
Customer contracts and related relationships	6
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, or RSUs, and employee stock purchase plan rights under the Broadcom Limited Second Amended and Restated Employee Share Purchase Plan, as amended, or ESPP (together 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 fiscal quarter ended February 4, 2018, diluted net income per share excluded the potentially dilutive effect of the exchange of the LP Units for 22 million common stock shares 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	
	February 3, 2019	February 4, 2018
Numerator:	(In millions, except per share data)	
Income from continuing operations	$ 481	$ 6,581
Less: Income from continuing operations attributable to noncontrolling interest	—	337
Income from continuing operations attributable to common stock	481	6,244
Loss from discontinued operations, net of income taxes	(10)	(15)
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	(10)	(14)
Net income attributable to common stock	$ 471	$ 6,230
Denominator:		
Weighted-average shares outstanding - basic	401	410
Dilutive effect of equity awards	18	16
Weighted-average shares outstanding - diluted	419	426
Basic income per share:		
Income per share from continuing operations	$ 1.20	$ 15.23
Loss per share from discontinued operations	(0.03)	(0.03)
Net income per share	$ 1.17	$ 15.20
Diluted income per share:		
Income per share from continuing operations	$ 1.15	$ 14.66
Loss per share from discontinued operations	(0.03)	(0.04)
Net income per share	$ 1.12	$ 14.62

7. Borrowings

	Effective Interest Rate	February 3, 2019	November 4, 2018
		(In millions)	
2019 Term Loans - floating rate			
LIBOR plus 1.125% term loan due November 2021	3.853%	$ 9,000	$ —
LIBOR plus 1.250% term loan due September 2021 to November 2023	3.892%	9,000	—
		18,000	—
2017 Senior Notes - fixed rate			
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
Assumed CA Senior Notes - fixed rate			
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	—
Assumed Brocade Convertible Notes - fixed rate			
1.375% convertible notes due January 2020	0.628%	37	37
		37	37
Assumed BRCM Senior Notes - fixed rate			
2.50% - 4.50% notes due August 2022 - August 2034	2.50% - 4.50%	22	22
Total principal amount outstanding		37,859	17,609
Less: Unaccreted discount, premium and unamortized debt issuance costs		(218)	(116)
Total carrying value of debt		$ 37,641	$ 17,493

2019 Term Loans and Assumed CA Senior Notes

In connection with the CA Merger, we entered into a credit agreement, or the 2019 Credit Agreement, which provides for a $9,000 million unsecured term A-3 facility and a $9,000 million unsecured term A-5 facility, collectively referred to as the 2019 Term Loans. Interest on our 2019 Term Loans is based on a floating rate and is payable monthly. Our obligations under the 2019 Credit Agreement are guaranteed on an unsecured basis by Broadcom Corporation, or BRCM, Broadcom Cayman Finance Limited and Broadcom Technologies Inc., with a residual guarantee being provided by Broadcom-Singapore until its pending voluntary liquidation (commenced in the fiscal quarter ended February 3, 2019) is finalized.

The 2019 Credit Agreement also provides for a five-year $5,000 million unsecured revolving credit facility, or the Revolving Facility, of which $500 million is available for the issuance of multi-currency letters of credit. The issuance of letters of credit reduces the aggregate amount otherwise available under the Revolving Facility for revolving loans. Subject to the terms of the 2019 Credit Agreement, we may 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 February 3, 2019.

Additionally, we assumed $2,250 million in aggregate principal amount of CA's outstanding senior unsecured notes, or 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 indenture governing the Assumed CA Senior Notes. 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 holders' 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.

2017 Senior Notes

During fiscal year 2017, BRCM and Broadcom Cayman Finance Limited, collectively referred to as the Subsidiary Issuers, issued $17,550 million of senior unsecured notes, or the 2017 Senior Notes. Our 2017 Senior Notes were fully and unconditionally guaranteed, jointly and severally, on an unsecured, unsubordinated basis by Broadcom, or Parent Guarantor, and Broadcom-Singapore. During the fiscal quarter ended February 3, 2019, Broadcom-Singapore was placed in voluntary liquidation in Singapore. Broadcom Technologies Inc., or Subsidiary Guarantor, a wholly-owned subsidiary of Broadcom, became a guarantor of the 2017 Senior Notes and entered into supplemental indentures with the Subsidiary Issuers 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.

Fair Value of Debt

As of February 3, 2019, the estimated aggregate fair value of debt was $37,021 million and was primarily classified as Level 2. The fair value of our 2019 Term Loans is determined using inputs based on discounted cash flow models with observable market inputs and takes into consideration variables such as interest rate changes, comparable instruments, and credit-rating changes. The fair values of the Assumed CA Senior Notes and 2017 Senior Notes are determined using quoted prices from less active markets.

Future Principal Payments of Debt

The future scheduled principal payments for debt as of February 3, 2019 were as follows:

Fiscal Year:	**Future Scheduled Principal Payments**
	(In millions)
2019 (remainder)	$ —
2020	3,937
2021	1,650
2022	13,909
2023	2,150
Thereafter	16,213
Total	$ 37,859

As of February 3, 2019 and November 4, 2018, we accrued interest payable of $104 million and $165 million, respectively and were in compliance with all debt covenants.

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 Inc. common stock and Broadcom-Singapore became a wholly-owned subsidiary of Broadcom Inc.

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 Inc. common stock on a one-for-one basis. As a result, all limited partners of the Partnership became common stockholders of Broadcom Inc. 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 statement of operations excluded the noncontrolling interest's proportionate share of the results for the fiscal quarter ended February 4, 2018. 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 statement of equity for the fiscal quarter ended February 4, 2018.

Dividends and Distributions

	Fiscal Quarter Ended	
	February 3, 2019	February 4, 2018
	(In millions, except per share data)	
Cash dividends and distributions declared and paid per share/unit	$ 2.65	$ 1.75
Cash dividends paid to stockholders	$ 1,067	$ 717
Cash distributions paid to limited partners	$ —	$ 38

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. We may repurchase our common stock from time to time on or prior to November 3, 2019, the end of our fiscal year 2019. During the fiscal quarter ended February 3, 2019, we repurchased and retired approximately 14 million shares of our common stock for $3,436 million at a weighted average price of $246.64 under this stock repurchase program. As of February 3, 2019, $7,306 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	
	February 3, 2019	February 4, 2018
	(In millions)	
Cost of products sold	$ 26	$ 18
Cost of subscriptions and services	8	2
Research and development	311	203
Selling, general and administrative	120	76
Total stock-based compensation expense	$ 465	$ 299

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, or the Multi-Year Equity Awards, in lieu of our annual employee equity awards historically granted in the second quarter of our fiscal 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 $107 million for the fiscal quarter ended February 3, 2019, including $17 million for Multi-Year Equity Awards granted to employees acquired in the CA Merger.

For the fiscal quarter ended February 3, 2019, stock-based compensation expense included $37 million related to equity awards assumed in connection with the CA Merger. In addition to stock-based compensation expense presented above, 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 February 3, 2019, the total unrecognized compensation cost related to unvested stock-based awards was $6,704 million, which is expected to be recognized over the remaining weighted-average service period of 4.6 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	$	177.07
Vested	(1)	$	207.90
Forfeited	— *	$	163.76
Balance as of February 3, 2019	50	$	184.07

* Represents fewer than 0.5 million shares.

The aggregate fair value of time- and market-based RSUs that vested during the fiscal quarter ended February 3, 2019 was $235 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 withholding 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	(2)	$	49.94		$	253
Cancelled	— *	$	98.85			
Balance as of February 3, 2019	6	$	50.17	1.75	$	1,403
Fully vested as of February 3, 2019	6	$	50.17	1.75	$	1,403
Fully vested and expected to vest as of February 3, 2019	6	$	50.17	1.75	$	1,403

* Represents fewer than 0.5 million shares.

9. Income Taxes

For the fiscal quarter ended February 3, 2019, our benefit from income taxes was $203 million, compared to a benefit from income taxes of $5,786 million for the fiscal quarter ended February 4, 2018.

The benefit for the fiscal quarter ended February 3, 2019 was primarily due to the recognition of $141 million of gross uncertain tax benefits as a result of audit settlements and lapses of statutes of limitations, partial release of $56 million of our valuation allowance as a result of the CA Merger, and $35 million of excess tax benefits from stock-based awards that were vested or exercised during the period. The current period also includes the impact of several provisions of the U.S. Tax Cuts and Jobs Act, or the 2017 Tax Reform Act, that take effect for us for the first time in the fiscal year ending November 3, 2019, including a new minimum tax on certain foreign earnings, known as Global Intangible Low-taxed Income, or 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.

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, signed into law on December 22, 2017. 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, or the Transition Tax, as of December 31, 2017.

As a result of the 2017 Tax Reform Act, we recorded a total provisional benefit of $5,810 million during the fiscal quarter ended February 4, 2018. This provisional benefit included $88 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 provisional benefit also included $5,722 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 $2,547 million of federal provisional long-term Transition Tax payable and $2,179 million of unrecognized federal tax benefits related to the Transition Tax.

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 period ended February 3, 2019, and no adjustments were recorded during this period. 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 or other provisions of the 2017 Tax Reform Act.

Additionally, in connection with CA Merger, we established $2,369 million of net deferred tax liabilities on the excess of 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.

Uncertain Tax Positions

The balance of gross unrecognized tax benefits was $4,005 million and $4,030 million as of February 3, 2019 and November 4, 2018, respectively. Gross unrecognized tax benefits decreased by $25 million compared to the balance as of November 4, 2018, primarily due to audit settlements and lapses of statutes of limitations offset by the recognition of uncertain tax positions related to the CA Merger, which were initially estimated as of the CA Acquisition Date. 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 February 3, 2019 and November 4, 2018, the combined amount of cumulative accrued interest and penalties was approximately $284 million and $190 million, respectively.

A portion of our unrecognized tax benefits will affect our effective tax rate if they are recognized upon favorable resolution of the uncertain tax positions. As of February 3, 2019 and November 4, 2018, approximately $4,289 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 $124 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 Chief Executive Officer, who has been identified as 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 enabling the set-top box and broadband access markets, for managing the movement of data in data center, telecom, enterprise and embedded networking applications, 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 provide a broad variety of radio frequency semiconductor devices, wireless connectivity solutions and custom touch controllers for mobile applications. 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.

Intellectual property licensing. We license a portion of our broad intellectual property 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	
	February 3, 2019	February 4, 2018
	(In millions)	
Net revenue:		
Semiconductor solutions	$ 4,374	$ 4,955
Infrastructure software	1,403	328
IP licensing	12	44
Total net revenue	$ 5,789	$ 5,327
Operating income (loss):		
Semiconductor solutions	$ 2,037	$ 2,325
Infrastructure software	1,020	216
IP licensing	(5)	26
Unallocated expenses	(2,497)	(1,624)
Total operating income	$ 555	$ 943

Significant Customer Information

We sell our products through our direct sales force and a select network of distributors globally. Two customers, both of which are distributors, accounted for 15% and 11% of our net accounts receivable balance at February 3, 2019 compared with two customers, also distributors, which accounted for 20% and 14% of our net accounts receivable balance at November 4, 2018.

One customer, a distributor, accounted for 15% of our net revenue for the fiscal quarter ended February 3, 2019. During the fiscal quarter ended February 4, 2018, one customer, a contract manufacturer, represented 18% of our net revenue. The majority of the revenue from these customers was included in our semiconductor solutions segment.

11. Commitments and Contingencies

Commitments

The following table summarizes contractual obligations and commitments as of February 3, 2019 that materially changed from the end of fiscal year 2018:

		Fiscal Year					
	Total	2019 (remainder)	2020	2021	2022	2023	Thereafter
				(In millions)			
Debt principal, interest and fees	$ 43,716	$ 861	$ 5,231	$ 2,810	$ 14,745	$ 2,854	$ 17,215
Purchase commitments	809	718	72	19	—	—	—
Other contractual commitments	245	134	87	15	6	3	—
Operating lease obligations	919	101	119	100	71	63	465
Total	$ 45,689	$ 1,814	$ 5,509	$ 2,944	$ 14,822	$ 2,920	$ 17,680

Debt Principal, Interest and Fees. Represents principal and estimated interest on borrowings under the 2019 Term Loans, Revolver Facility, 2017 Senior Notes, the Assumed CA Senior Notes, the Assumed BRCM Senior Notes, and the Assumed Brocade Convertible Notes. For our 2019 Term Loans, which are subject to a floating interest rate, the estimated interest was based on the interest rate in place during the last month of the fiscal quarter ended February 3, 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. Cancellation for outstanding purchase orders for capital expenditures in connection with internal fabrication facility expansion and construction of our new campuses is generally allowed but requires payment of all costs incurred through the date of cancellation and, therefore, cancelable purchase orders for these capital expenditures are included in the table above.

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 $67 million and $71 million for the fiscal quarters ended February 3, 2019 and February 4, 2018, respectively.

Due to the inherent uncertainty with respect to the timing of future cash outflows associated with our unrecognized tax benefits at February 3, 2019, we are unable to reliably estimate the timing of cash settlement with the respective taxing authorities. Therefore, $3,250 million of unrecognized tax benefits and accrued interest classified within other long-term liabilities on our condensed consolidated balance sheet as of February 3, 2019 have been excluded from the contractual obligations table above.

Standby Letters of Credit

As of February 3, 2019 and November 4, 2018, we had outstanding obligations relating to standby letters of credit of $68 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. The fair values of the letters of credit approximate the contract amounts.

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, or 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, or 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. On January 4, 2019, the United States Supreme Court granted certiorari. On February 19, 2019, the Defendants-Appellees (as Petitioners in the United States Supreme Court) filed their opening brief. The Plaintiff-Appellant's brief is to be filed by March 21, 2019 and oral arguments are scheduled for April 15, 2019. 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, taken individually or as a whole, will have a material adverse effect on our financial condition, results of operations or cash flows. 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 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, 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 results of operations, financial position or cash flows.

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:

- In connection with the CA Merger, we initiated cost reduction activities. As a result, we recognized $594 million of restructuring expense primarily related to employee termination and lease and other exit costs during the fiscal quarter ended February 3, 2019.
- 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 and $108 million of restructuring expense during the fiscal quarters ended February 3, 2019 and February 4, 2018, respectively. These restructuring expenses primarily related to lease and other exit costs for the fiscal quarter ended February 3, 2019 and employee termination costs for the fiscal quarter ended February 4, 2018.
- During the second quarter of fiscal year 2016, we initiated cost reduction activities associated with the acquisition of BRCM. As a result, we recognized $3 million and $31 million of restructuring expense during the fiscal quarters ended February 3, 2019 and February 4, 2018, respectively. These restructuring expenses primarily related to employee termination costs for the fiscal quarter ended February 3, 2019 and lease and other exit costs for the fiscal quarter ended February 4, 2018. As of February 3, 2019, we have completed the restructuring activities related to the acquisition of BRCM.

	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	502	97	599
Utilization	(314)	(17)	(331)
Balance as of February 3, 2019 (a)	$ 233	$ 124	$ 357

(a) The majority of the employee termination costs balance is expected to be paid in fiscal year 2019. The leases and other exit costs balance is related to leases and is expected to be paid over the remaining lease terms through fiscal year 2028.

Impairment and Disposal Charges

During the fiscal quarters ended February 3, 2019 and February 4, 2018, impairment and disposal charges of $30 million and $6 million, respectively, were primarily related to impairment of property, plant and equipment.

13. Condensed Consolidating Financial Information

The following information sets forth the condensed consolidating financial information as of February 3, 2019 and November 4, 2018 and for the fiscal quarters ended February 3, 2019 and February 4, 2018 for the Parent Guarantor, the Subsidiary Guarantor, the Subsidiary Issuers, and our other subsidiaries, collectively, the Non-Guarantor Subsidiaries. Investments in subsidiaries are accounted for under the equity method; accordingly, entries necessary to consolidate the Parent Guarantor, the Subsidiary 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.

See Note 7. “Borrowings” for more information regarding the 2017 Senior Notes and the change in guarantors that occurred in the first quarter of fiscal year 2019. We have applied the impacts of the change in guarantors retrospectively to all periods presented.

	Condensed Consolidating Balance Sheet					
	February 3, 2019					
	Parent Guarantor	Subsidiary Guarantor	Subsidiary Issuers	Non-Guarantor Subsidiaries	Eliminations	Consolidated Totals
	(In millions)					
ASSETS						
Current assets:						
Cash and cash equivalents	$ —	$ —	$ 724	$ 4,369	$ —	$ 5,093
Trade accounts receivable, net	—	—	—	3,677	—	3,677
Inventory	—	—	—	1,074	—	1,074
Intercompany receivable	122	—	857	280	(1,259)	—
Intercompany loan receivable	—	—	10,372	9,045	(19,417)	—
Other current assets	50	—	44	666	—	760
Total current assets	172	—	11,997	19,111	(20,676)	10,604
Long-term assets:						
Property, plant and equipment, net	—	—	772	1,912	—	2,684
Goodwill	—	—	1,360	35,287	—	36,647
Intangible assets, net	—	—	82	21,411	—	21,493
Investment in subsidiaries	54,829	37,121	48,516	—	(140,466)	—
Intercompany loan receivable, long-term	—	—	—	918	(918)	—
Other long-term assets	31	—	47	604	—	682
Total assets	$ 55,032	$ 37,121	$ 62,774	$ 79,243	$ (162,060)	$ 72,110
LIABILITIES AND STOCKHOLDERS' EQUITY						
Current liabilities:						
Accounts payable	$ 17	$ —	$ 69	$ 652	$ —	$ 738
Employee compensation and benefits	—	—	106	357	—	463
Current portion of long-term debt	—	—	2,750	787	—	3,537
Intercompany payable	255	—	95	909	(1,259)	—
Intercompany loan payable	13,610	—	4,675	1,132	(19,417)	—
Other current liabilities	62	(72)	105	3,516	—	3,611
Total current liabilities	13,944	(72)	7,800	7,353	(20,676)	8,349
Long-term liabilities:						
Long-term debt	17,890	—	14,713	1,501	—	34,104
Deferred tax liabilities	(1)	—	(305)	2,382	—	2,076
Intercompany loan payable, long-term	—	—	918	—	(918)	—
Unrecognized tax benefits	—	—	2,421	829	—	3,250
Other long-term liabilities	(25)	96	103	933	—	1,107
Total liabilities	31,808	24	25,650	12,998	(21,594)	48,886
Total stockholders' equity	23,224	37,097	37,124	66,245	(140,466)	23,224
Total liabilities and stockholders' equity	$ 55,032	$ 37,121	$ 62,774	$ 79,243	$ (162,060)	$ 72,110

	Condensed Consolidating Balance Sheet					
	November 4, 2018					
	Parent Guarantor	Subsidiary 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	35,268	46,745	—	(117,281)	—
Intercompany loan receivable, long-term	—	—	—	991	(991)	—
Other long-term assets	—	—	250	457	—	707
Total assets	$ 35,376	$ 35,268	$ 61,671	$ 50,879	$ (133,070)	$ 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)	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	35,271	46,742	(117,281)	26,657
Total liabilities and stockholders' equity	$ 35,376	$ 35,268	$ 61,671	$ 50,879	$ (133,070)	$ 50,124

Table of Contents

	Condensed Consolidating Statements of Operations and Comprehensive Income					
	Fiscal Quarter Ended					
	February 3, 2019					
	Parent Guarantor	Subsidiary Guarantor	Subsidiary Issuers	Non-Guarantor Subsidiaries	Eliminations	Consolidated Totals
	(In millions)					
Net revenue:						
Products	$ —	$ —	$ —	$ 4,639	$ —	$ 4,639
Subscriptions and services	—	—	—	1,150	—	1,150
Intercompany revenue	—	—	397	—	(397)	—
Total net revenue	—	—	397	5,789	(397)	5,789
Cost of revenue:						
Cost of products sold	—	—	31	1,523	—	1,554
Cost of subscriptions and services	—	—	3	135	—	138
Intercompany cost of products sold	—	—	—	23	(23)	—
Amortization of acquisition-related intangible assets	—	—	—	833	—	833
Restructuring charges	—	—	(7)	63	—	56
Total cost of revenue	—	—	27	2,577	(23)	2,581
Gross margin	—	—	370	3,212	(374)	3,208
Research and development	—	—	447	686	—	1,133
Intercompany operating expense	—	—	—	374	(374)	—
Selling, general and administrative	52	—	81	338	—	471
Amortization of acquisition-related intangible assets	—	—	—	476	—	476
Restructuring, impairment and disposal charges	—	—	8	565	—	573
Total operating expenses	52	—	536	2,439	(374)	2,653
Operating income (loss)	(52)	—	(166)	773	—	555
Interest expense	(175)	—	(148)	(22)	—	(345)
Intercompany interest expense	(86)	—	(41)	(8)	135	—
Other income (loss), net	(1)	—	9	60	—	68
Intercompany interest income	—	—	79	56	(135)	—
Intercompany other income (expense), net	77	—	—	(77)	—	—
Income (loss) from continuing operations before income taxes and earnings in subsidiaries	(237)	—	(267)	782	—	278
Provision for (benefit from) income taxes	(24)	24	(177)	(26)	—	(203)
Income (loss) from continuing operations before earnings in subsidiaries	(213)	(24)	(90)	808	—	481
Earnings in subsidiaries	684	1,479	1,569	—	(3,732)	—
Income from continuing operations and earnings in subsidiaries	471	1,455	1,479	808	(3,732)	481
Loss from discontinued operations, net of income taxes	—	—	—	(10)	—	(10)
Net income	$ 471	$ 1,455	$ 1,479	$ 798	$ (3,732)	$ 471
Comprehensive income	$ 471	$ 1,455	$ 1,479	$ 798	$ (3,732)	$ 471

	Condensed Consolidating Statements of Operations and Comprehensive Income					
	Fiscal Quarter Ended					
	February 4, 2018					
	Parent Guarantor	Subsidiary Guarantor	Subsidiary Issuers	Non-Guarantor Subsidiaries	Eliminations	Consolidated Totals
	(In millions)					
Net revenue:						
Products	$ —	$ —	$ —	$ 5,108	$ —	$ 5,108
Subscriptions and services	—	—	—	219	—	219
Intercompany revenue	—	—	584	—	(584)	—
Total revenue	—	—	584	5,327	(584)	5,327
Cost of revenue:						
Cost of products sold	—	—	29	1,847	—	1,876
Cost of subscriptions and services	—	—	3	20	—	23
Intercompany cost of products sold	—	—	—	34	(34)	—
Purchase accounting effect on inventory	—	—	—	70	—	70
Amortization of acquisition-related intangible assets	—	—	—	715	—	715
Restructuring charges	—	—	2	13	—	15
Total cost of revenue	—	—	34	2,699	(34)	2,699
Gross margin	—	—	550	2,628	(550)	2,628
Research and development	—	—	406	519	—	925
Intercompany operating expense	—	—	—	550	(550)	—
Selling, general and administrative	—	—	85	206	—	291
Amortization of acquisition-related intangible assets	—	—	—	339	—	339
Restructuring, impairment and disposal charges	—	—	33	97	—	130
Total operating expenses	—	—	524	1,711	(550)	1,685
Operating income	—	—	26	917	—	943
Interest expense	—	—	(181)	(2)	—	(183)
Intercompany interest expense	—	—	(59)	(574)	633	—
Other income, net	—	—	19	16	—	35
Intercompany interest income	—	—	574	59	(633)	—
Intercompany other income (expense), net	—	—	(57)	57	—	—
Income from continuing operations before income taxes and earnings in subsidiaries	—	—	322	473	—	795
Benefit from income taxes	—	—	(5,460)	(326)	—	(5,786)
Income from continuing operations before earnings in subsidiaries	—	—	5,782	799	—	6,581
Earnings in subsidiaries	6,230	6,566	638	—	(13,434)	—
Income from continuing operations and earnings in subsidiaries	6,230	6,566	6,420	799	(13,434)	6,581
Loss from discontinued operations, net of income taxes	—	—	—	(15)	—	(15)
Net income	6,230	6,566	6,420	784	(13,434)	6,566
Net income attributable to noncontrolling interest	—	336	—	—	—	336
Net income attributable to common stock	$ 6,230	$ 6,230	$ 6,420	$ 784	$ (13,434)	$ 6,230
Net income	$ 6,230	$ 6,566	$ 6,420	$ 784	$ (13,434)	$ 6,566
Unrealized gain on available-for-sale investments	—	—	9	—	—	9
Other comprehensive income	—	—	9	—	—	9
Comprehensive income	6,230	6,566	6,429	784	(13,434)	6,575
Comprehensive income attributable to noncontrolling interest	—	336	—	—	—	336
Comprehensive income attributable to common stock	$ 6,230	$ 6,230	$ 6,429	$ 784	$ (13,434)	$ 6,239

	Condensed Consolidating Statements of Cash Flows					
	Fiscal Quarter Ended					
	February 3, 2019					
	Parent Guarantor	Subsidiary Guarantor	Subsidiary Issuers	Non-Guarantor Subsidiaries	Eliminations	Consolidated Totals
	(In millions)					
Cash flows from operating activities:						
Net income	$ 471	$ 1,455	$ 1,479	$ 798	$ (3,732)	$ 471
Adjustments to reconcile net income to net cash provided by (used in) operating activities	(561)	(1,455)	(2,475)	2,420	3,732	1,661
Net cash provided by (used in) operating activities	(90)	—	(996)	3,218	—	2,132
Cash flows from investing activities:						
Net change in intercompany loans	800	—	(592)	(3,087)	2,879	—
Acquisitions of businesses, net of cash acquired	(17,865)	—	—	1,838	—	(16,027)
Proceeds from sales of businesses	—	—	—	957	—	957
Purchases of property, plant and equipment	—	—	(36)	(71)	8	(99)
Proceeds from disposals of property, plant and equipment	—	—	8	—	(8)	—
Other	—	—	—	(24)	—	(24)
Net cash provided by (used in) investing activities	(17,065)	—	(620)	(387)	2,879	(15,193)
Cash flows from financing activities:						
Dividend and distribution payments	(1,067)	—	—	—	—	(1,067)
Net intercompany borrowings	3,746	—	(110)	(757)	(2,879)	—
Proceeds from long-term borrowings	17,896	—	—	—	—	17,896
Other borrowings	—	—	—	531	—	531
Payment of debt issuance costs	(46)	—	—	—	—	(46)
Repurchases of common stock - repurchase program	(3,436)	—	—	—	—	(3,436)
Issuance of common stock	62	—	—	—	—	62
Shares repurchased for tax withholdings on vesting of equity awards	—	—	(11)	(66)	—	(77)
Other	—	—	—	(1)	—	(1)
Net cash provided by (used in) financing activities	17,155	—	(121)	(293)	(2,879)	13,862
Net change in cash and cash equivalents	—	—	(1,737)	2,538	—	801
Cash and cash equivalents at beginning of period	—	—	2,461	1,831	—	4,292
Cash and cash equivalents at end of period	$ —	$ —	$ 724	$ 4,369	$ —	$ 5,093

	Condensed Consolidating Statements of Cash Flows					
	Fiscal Quarter Ended					
	February 4, 2018					
	Parent Guarantor	Subsidiary Guarantor	Subsidiary Issuers	Non-Guarantor Subsidiaries	Eliminations	Consolidated Totals
	(In millions)					
Cash flows from operating activities:						
Net income	$ 6,230	$ 6,566	$ 6,420	$ 784	$ (13,434)	$ 6,566
Adjustments to reconcile net income to net cash provided by (used in) operating activities	(6,230)	(6,566)	(6,763)	1,244	13,434	(4,881)
Net cash provided by (used in) operating activities	—	—	(343)	2,028	—	1,685
Cash flows from investing activities:						
Intercompany contributions paid	—	—	(9,099)	(2,900)	11,999	—
Distributions received from subsidiaries	—	—	—	755	(755)	—
Net change in intercompany loans	—	—	93	(4,241)	4,148	—
Acquisitions of businesses, net of cash acquired	—	—	—	(4,786)	—	(4,786)
Proceeds from sales of businesses	—	—	—	782	—	782
Purchases of property, plant and equipment	—	—	(65)	(155)	—	(220)
Proceeds from disposals of property, plant and equipment	—	—	2	235	—	237
Purchases of investments	—	—	(50)	(194)	—	(244)
Other	—	—	—	4	—	4
Net cash provided by (used in) investing activities	—	—	(9,119)	(10,500)	15,392	(4,227)
Cash flows from financing activities:						
Intercompany contributions received	—	—	2,900	9,099	(11,999)	—
Net intercompany borrowings	—	—	4,270	(122)	(4,148)	—
Repayment of debt	—	—	—	(856)	—	(856)
Dividend and distribution payments	—	—	(755)	(755)	755	(755)
Issuance of common stock	—	—	—	34	—	34
Other	—	—	—	(9)	—	(9)
Net cash provided by (used in) financing activities	—	—	6,415	7,391	(15,392)	(1,586)
Net change in cash and cash equivalents	—	—	(3,047)	(1,081)	—	(4,128)
Cash and cash equivalents at beginning of period	—	—	7,555	3,649	—	11,204
Cash and cash equivalents at end of period	$ —	$ —	$ 4,508	$ 2,568	$ —	$ 7,076

14. Subsequent Event

Cash Dividends Declared

On March 13, 2019, our Board of Directors declared a cash dividend of $2.65 per share, payable on March 29, 2019 to stockholders of record at the close of business on March 21, 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, or 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, or fiscal year 2018, included in our Annual Report on Form 10-K for fiscal year 2018, or 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, or Broadcom-Singapore, for accounting and financial reporting purposes and relate to Broadcom Inc. for periods after April 4, 2018, the effective date of the redomiciliation of our ultimate parent company to the U.S., or the Redomiciliation Transaction. Similarly, unless stated otherwise or the context otherwise requires, references to "Broadcom," "we," "our" and "us" mean Broadcom Inc. 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, or 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; 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, or IP, rights; and the effects of seasonality on our business. 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, or 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, or fiscal year 2019, is a 52-week fiscal year, with our first fiscal quarter containing 13 weeks compared to 14 weeks in the first fiscal quarter ended February 4, 2018.

Recent Developments and Highlights

Highlights during the fiscal quarter ended February 3, 2019 include the following:

- On November 5, 2018, we completed the acquisition of CA, Inc., or CA, for aggregate consideration of approximately $18.8 billion, or the CA Merger.
- We financed the CA Merger with proceeds of $18 billion from two unsecured term loan facilities, or the 2019 Term Loans, as well as cash on hand of the combined companies. See Note 7. "Borrowings" in Part I, Item 1 of this Form 10-Q for more details.
- We generated $2,132 million of cash from operations.
- We paid $3,436 million to repurchase shares of our common stock under our stock repurchase program, $1,067 million for cash dividends and $77 million in employee withholding taxes related to net settled equity awards.

Subsequent to the CA Merger, 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, or FC SAN, products. Our infrastructure software segment includes our FC SAN products and the CA mainframe and enterprise software solutions. The IP licensing segment includes the results of our IP licensing business. Prior period segment results have been recast to conform to the current presentation.

Acquisitions and Divestitures

Acquisition of CA

On November 5, 2018, we acquired CA for approximately $18.8 billion 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.

Divestiture of Veracode, Inc.

On December 31, 2018, we sold Veracode, Inc., or 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 fiscal quarter ended February 3, 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 Ended February 3, 2019 Compared to Fiscal Quarter Ended February 4, 2018

The following table sets forth our results of operations for the periods presented:

	Fiscal Quarter Ended			
	February 3, 2019	February 4, 2018	February 3, 2019	February 4, 2018
	(In millions)		(As a percentage of total net revenue)	
Statements of Operations Data:				
Net revenue:				
Products	$ 4,639	$ 5,108	80%	96%
Subscriptions and services	1,150	219	20	4
Total net revenue	5,789	5,327	100	100
Cost of revenue:				
Cost of products sold	1,554	1,876	27	36
Cost of subscriptions and services	138	23	2	1
Purchase accounting effect on inventory	—	70	—	1
Amortization of acquisition-related intangible assets	833	715	15	13
Restructuring charges	56	15	1	—
Total cost of revenue	2,581	2,699	45	51
Gross margin	3,208	2,628	55	49
Research and development	1,133	925	19	17
Selling, general and administrative	471	291	8	6
Amortization of acquisition-related intangible assets	476	339	8	6
Restructuring, impairment and disposal charges	573	130	10	2
Total operating expenses	2,653	1,685	45	31
Operating income	$ 555	$ 943	10%	18%

Net Revenue

Our semiconductor solutions segment and infrastructure software segment represented 76% and 24% of our net revenue, respectively, for the fiscal quarter ended February 3, 2019, with our IP licensing segment representing less than 1% of our net revenue.

Historically, a relatively small number of customers has accounted for a significant portion of our net revenue. Direct sales to WT Microelectronics, a distributor, accounted for 15% of our net revenue for the fiscal quarter ended February 3, 2019. Foxconn Technology Group companies (including Hon Hai Precision Industries), contract manufacturers, accounted for 18% of our net revenue for the fiscal quarter ended February 4, 2018. We believe aggregate sales to our top five end customers, through all channels, accounted for approximately 40% and 48% of our net revenue for the fiscal quarters ended February 3, 2019 and February 4, 2018, respectively. We believe aggregate sales to Apple Inc., through all channels, accounted for approximately 20% of our net revenue for the fiscal quarter ended February 3, 2019 and more than 30% for the fiscal quarter ended February 4, 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.

Net Revenue by Segment	Fiscal Quarter Ended February 3, 2019	February 4, 2018	$ Change	% Change
	(In millions, except for percentages)			
Semiconductor solutions	$ 4,374	$ 4,955	$ (581)	(12)%
Infrastructure software	1,403	328	1,075	328 %
IP licensing	12	44	(32)	(73)%
Total net revenue	$ 5,789	$ 5,327	$ 462	9 %

% of Net Revenue by Segment	Fiscal Quarter Ended February 3, 2019	February 4, 2018
Semiconductor solutions	76%	93%
Infrastructure software	24	6
IP licensing	—	1
Total net revenue	100%	100%

Fiscal quarter ended February 3, 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 server storage connectivity and set-top box 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. These decreases were offset by higher demand for our standard networking products. 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. Net revenue from our IP licensing segment decreased primarily due to lower IP licensing volume.

Gross Margin

Gross margin was $3,208 million for the fiscal quarter ended February 3, 2019 compared to $2,628 million for the fiscal quarter ended February 4, 2018. As a percentage of net revenue, gross margin was 55% and 49% for the fiscal quarters ended February 3, 2019 and February 4, 2018, respectively. The increase in gross margin was primarily due to contributions from our CA mainframe and enterprise software products as well as favorable gross margin impact from our FC SAN products. The increase was partially offset by higher amortization of acquisition-related intangible assets and restructuring charges as a result of the CA Merger.

Research and Development Expense

Research and development expense increased $208 million, or 22%, for the fiscal quarter ended February 3, 2019 compared to the prior year fiscal period primarily due to the acquisition of CA and an increase in stock-based compensation expense. The increase in stock-based compensation expense was primarily due to the issuance of multi-year equity grants of time- and market-based restricted stock units, or the Multi-Year Equity Awards. The Multi-Year Equity Awards were granted in our first fiscal quarter of 2019 in lieu of our annual employee equity awards historically granted in the second quarter of our fiscal year. Each Multi-Year Equity Award vests on the same basis as four annual grants made on March 15 of each year, beginning in 2019, with successive four-year vesting periods. The increase was also attributable to expense recognized in the first quarter of fiscal year 2019 related to annual employee equity awards granted in March 2018 at higher grant-date fair values.

Selling, General and Administrative Expense

Selling, general and administrative expense increased $180 million, or 62%, for the fiscal quarter ended February 3, 2019 compared to the prior year fiscal period primarily due to the acquisition of CA and acquisition-related costs. The increase was also due to an increase in stock-based compensation expense, primarily due to the issuance of Multi-Year Equity Awards, assumed CA equity awards and annual employee equity awards granted in March 2018 at higher grant-date fair values.

Amortization of Acquisition-Related Intangible Assets

Amortization of acquisition-related intangible assets recognized in operating expenses was $476 million for the fiscal quarter ended February 3, 2019 compared to $339 million for the fiscal quarter ended February 4, 2018. The increase was 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 were $573 million for the fiscal quarter ended February 3, 2019 compared to $130 million for the fiscal quarter ended February 4, 2018. The increase was primarily due to employee termination costs and other restructuring activities resulting from the CA Merger. We expect to incur additional restructuring charges in future periods as a result of the CA Merger. 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 February 3, 2019	Fiscal Quarter Ended February 4, 2018	$ Change	% Change
	(In millions, except for percentages)			
Semiconductor solutions	$ 2,037	$ 2,325	$ (288)	(12)%
Infrastructure software	1,020	216	804	372 %
IP licensing	(5)	26	(31)	(119)%
Unallocated expenses	(2,497)	(1,624)	(873)	54 %
Total operating income	$ 555	$ 943	$ (388)	(41)%

Fiscal quarter ended February 3, 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 server storage connectivity 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. These decreases were offset by higher demand for our standard networking products. 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. Operating loss from our IP licensing segment was primarily due to lower IP licensing volume.

Unallocated expenses include amortization of acquisition-related intangible assets; restructuring, impairment and disposal charges; stock-based compensation expense; acquisition-related costs; and other costs that are not used in evaluating the results of, or in allocating resources to, our segments. Unallocated expenses increased 54% in the fiscal quarter ended February 3, 2019 compared with the corresponding prior year period primarily due to increases in restructuring, impairment and disposal charges, amortization of acquisition-related intangible assets, stock-based compensation expense and acquisition-related costs. These increases were primarily due to the CA Merger and the issuance of Multi-Year Equity Awards.

Non-Operating Income and Expenses

Interest expense. Interest expense was $345 million for the fiscal quarter ended February 3, 2019 compared to $183 million for the fiscal quarter ended February 4, 2018. The increase was primarily due to interest on the additional debt we incurred to finance the CA Merger.

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 $68 million for the fiscal quarter ended February 3, 2019 compared to $35 million for the fiscal quarter ended February 4, 2018. This increase was primarily due to an increase in unrealized gains on investments.

Benefit from income taxes. For the fiscal quarter ended February 3, 2019, our benefit from income taxes was $203 million, compared to a benefit from income taxes of $5,786 million for the fiscal quarter ended February 4, 2018. The benefit from income taxes decreased from the prior period because the prior period included the tax effects of a change in law, due to enactment of the U.S. Tax Cuts and Jobs Act, or the 2017 Tax Reform Act.

The benefit for the fiscal quarter ended February 3, 2019 was primarily due to the recognition of gross uncertain tax benefits as a result of audit settlements, lapses of statutes of limitations, valuation allowance releases resulting from the CA Merger, and excess tax benefits from stock-based awards that were vested or exercised during the period. The current period also includes the impact of several provisions of the 2017 Tax Reform Act that take effect for us for the first time in the fiscal year ending November 3, 2019, including a new minimum tax on certain foreign earnings, known as Global Intangible Low-taxed Income, or 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.

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, signed into law on December 22, 2017. 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 February 3, 2019 consisted of: (i) $5,093 million in cash and cash equivalents, (ii) cash we expect to generate from operations, and (iii) our outstanding revolving credit facility of up to $5,000 million aggregate principal amount, or the Revolving Facility. 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, (ii) working capital requirements, (iii) research and development and capital expenditure needs, (iv) stock repurchases, if any, (v) cash dividend payments (if and when declared by our Board of Directors), (vi) interest and principal payments related to outstanding indebtedness and (vii) payment of income taxes, including taxes resulting from the intercompany transfer of IP. Beginning in April 2018, we settle withholding tax amounts due upon vesting of compensatory equity awards using cash on hand, and withhold from the grant recipient that number of shares having a value equivalent to the withholding tax amount, referred to as the 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, particularly in the second quarter of each fiscal year when the majority of 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.

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, 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 $2,255 million at February 3, 2019 from $6,769 million at November 4, 2018. The decrease was attributable to the following:

- Current portion of long-term debt increased $3,537 million due to certain debt instruments becoming due within the next twelve months.
- Other current liabilities increased to $3,611 million at February 3, 2019 from $812 million at November 4, 2018, primarily due to liabilities assumed in the CA Merger and increases in notional pooling liabilities and taxes payable. The increase was partially offset by interest payments for our long-term debt.

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

- Cash and cash equivalents increased to $5,093 million at February 3, 2019 from $4,292 million at November 4, 2018, primarily due to $17,896 million in proceeds from the 2019 Term Loans, $2,132 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, $3,436 million of common stock repurchases and $1,067 million of dividend payments.

- Other current assets increased to $760 million at February 3, 2019 from $366 million at November 4, 2018, primarily due to assets assumed in the CA Merger and an increase in taxes receivable.
- Accounts receivable increased to $3,677 million at February 3, 2019 from $3,325 million at November 4, 2018 primarily due to revenue linearity and an increase due to the CA Merger.
- Employee compensation and benefits decreased to $463 million at February 3, 2019 from $715 million at November 4, 2018 primarily due to timing of employee bonus plan payments, partially offset by increases attributable to the CA Merger.
- Accounts payable decreased to $738 million at February 3, 2019 from $811 million at November 4, 2018 primarily due to timing of vendor payments, partially offset by increases due to the CA Merger.

Working capital decreased to $9,250 million at February 4, 2018 from $13,294 million at October 29, 2017. The decrease was attributable to the following:

- Our cash and cash equivalents decreased to $7,076 million at February 4, 2018 from $11,204 million at October 29, 2017, due to $4,786 million paid for the acquisition of Brocade Communications Systems, Inc. or Brocade, $856 million of debt repayment, $755 million of dividend and distribution payments, partially offset by $1,685 million in net cash provided by operating activities and $782 million in proceeds from sales of businesses.
- Other current assets decreased to $394 million at February 4, 2018 from $724 million at October 29, 2017, primarily due to a utilization of prepaid taxes.
- Inventory decreased to $1,291 million at February 4, 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:

- Employee compensation and benefits decreased to $333 million at February 4, 2018 from $626 million at October 29, 2017 primarily due to timing of employee bonus plan payments, partially offset by increases due to the acquisition of Brocade.
- Accounts payable decreased to $816 million at February 4, 2018 from $1,105 million at October 29, 2017 primarily due to timing of vendor payments, partially offset by increases due to the acquisition of Brocade.

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.

In the fiscal quarter ended February 3, 2019, we repurchased and retired approximately 14 million shares of our common stock at a weighted average price of $246.64 under this stock repurchase program. As of February 3, 2019, $7,306 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.

	Fiscal Quarter Ended	
	February 3, 2019	**February 4, 2018**
	(In millions, except per share data)	
Cash dividends and distributions declared and paid per share/unit	$ 2.65	$ 1.75
Cash dividends and distributions paid	$ 1,067	$ 755
Stock repurchases	$ 3,436	$ —

In addition, during the fiscal quarter ended February 3, 2019, we paid $77 million in employee withholding taxes due upon the vesting of, and related to net settled equity awards. We withheld approximately 0.3 million shares from employees in connection with such net share settlement.

Cash Flows

	Fiscal Quarter Ended	
	February 3, 2019	February 4, 2018
	(In millions)	
Net cash provided by operating activities	$ 2,132	$ 1,685
Net cash used in investing activities	(15,193)	(4,227)
Net cash provided by (used in) financing activities	13,862	(1,586)
Net change in cash and cash equivalents	$ 801	$ (4,128)

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 $447 million increase in cash provided by operations during the fiscal quarter ended February 3, 2019 compared to the fiscal quarter ended February 4, 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 fiscal quarter ended February 3, 2019, the non-cash income tax benefit of $379 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 fiscal quarter ended February 4, 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 fiscal quarter ended February 3, 2019, as compared to the fiscal quarter ended February 4, 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 $10,966 million increase in cash used in investing activities during the fiscal quarter ended February 3, 2019 compared to the fiscal quarter ended February 4, 2018 was primarily related to $16,027 million paid for the CA Merger in the fiscal quarter ended February 3, 2019 compared to $4,786 million paid for the acquisition of Brocade in the fiscal quarter ended February 4, 2018, partially offset by an increase of $175 million in proceeds from sales of businesses and a $121 million decrease in capital expenditures.

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. Cash provided by financing activities for the fiscal quarter ended February 3, 2019 was $13,862 million, which primarily included $17,896 million of net proceeds from our 2019 Term Loan borrowings, partially offset by common stock repurchases of $3,436 million and dividend payments of $1,067 million. Cash used in financing activities for the fiscal quarter ended February 4, 2018 was $1,586 million primarily due to debt repayments of $856 million and $755 million in dividend and distribution payments.

Indebtedness

2019 Term Loans and Assumed CA Senior Notes

In connection with the CA Merger, we entered into a credit agreement, or the 2019 Credit Agreement, which provides for a $9,000 million unsecured term A-3 facility and a $9,000 million unsecured term A-5 facility, collectively referred to as the 2019 Term Loans, under which Broadcom is the borrower. Interest on our 2019 Term Loans is based on a floating-rate and is payable monthly. Broadcom's obligations under the 2019 Credit Agreement are guaranteed on an unsecured basis by Broadcom Corporation, or BRCM, Broadcom Cayman Finance Limited and Broadcom Technologies Inc., or BTI, with a residual guarantee being provided by Broadcom-Singapore until its pending voluntary liquidation is finalized. In order to further simplify our internal corporate structure, during the fiscal quarter ended February 3, 2019, Broadcom-Singapore was placed in voluntary liquidation in Singapore, referred to as the Winding Up. As part of the Winding Up, Broadcom-Singapore transferred substantially all of its assets (including all of the shares of BRCM and Broadcom Cayman Finance Limited) to BTI. Broadcom-Singapore's remaining net assets as of the date hereof are de minimis, and its residual guarantee under the 2019 Credit Agreement will remain in effect as a technical matter until its statutory dissolution, which we expect to take place during our fiscal quarter ending August 4, 2019. In connection with the Winding Up, BTI became a guarantor under the 2019 Credit Agreement.

The 2019 Credit Agreement also provides for a five-year $5,000 million unsecured revolving credit facility, or the Revolving Facility, of which $500 million is available for the issuance of multi-currency letters of credit. The issuance of letters of credit reduces the aggregate amount otherwise available under the Revolving Facility for the making of revolving loans. Subject to the terms of the 2019 Credit Agreement, we may 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 February 3, 2019.

Additionally, we assumed $2,250 million in aggregate principal amount of CA's outstanding senior unsecured notes, or 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 indenture governing the Assumed CA Senior Notes. 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 holders' 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.

2017 Senior Notes

During our fiscal year ended October 29, 2017, BRCM and Broadcom Cayman Finance Limited issued $17,550 million of senior unsecured notes, or the 2017 Senior Notes. Our 2017 Senior Notes were fully and unconditionally guaranteed, jointly and severally, on an unsecured, unsubordinated basis by Broadcom and Broadcom-Singapore. In connection with the Winding Up, pursuant to the terms of the indentures governing the 2017 Senior Notes, we added BTI as a guarantor of the 2017 Senior Notes and Broadcom-Singapore was released from its guarantee of the 2017 Senior Notes.

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 February 3, 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 February 3, 2019, we had a principal balance of $18 billion of outstanding 2019 Term Loans, all of which is subject to applicable floating interest rates based on LIBOR. A 1% change in LIBOR would increase or decrease interest expense for the next 12 months on our outstanding 2019 Term Loans by $182 million.

Item 4. Controls and Procedures

(a) *Evaluation of Disclosure Controls and Procedures.* Our management, with the participation of our Chief Executive Officer, or CEO, and Chief Financial Officer, or CFO, evaluated the effectiveness of our disclosure controls and procedures as of February 3, 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 February 3, 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 Inc. 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 Inc. and we subsequently deregistered the Partnership.

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, or OEMs, their respective contract manufacturers, and certain distributors for a majority of our business, revenue and results of operations. For the fiscal quarter ended February 3, 2019, sales to distributors accounted for 46% of our net revenue. Direct sales to WT Microelectronics accounted for 15% of our net revenue for the fiscal quarter ended February 3, 2019. We believe our aggregate sales to our top five end customers, through all channels, accounted for approximately 40% of our net revenue for the fiscal quarter ended February 3, 2019. We believe aggregate sales to Apple Inc., through all channels, accounted for approximately 20% of our net revenue for the fiscal quarter ended February 3, 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 TSMC to produce the substantial majority of our semiconductor wafers. TSMC manufactured over 80% of the wafers manufactured by our contract manufacturers during the fiscal quarter ended February 3, 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.

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. As part of this development, we are changing 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. We believe our success with the CA business is dependent on this strategy. If CA products are not as critical to customers as we believe, or if CA customers do not accept this change in strategy, such customers may elect not to renew their subscriptions for CA products and the investments we have made or may make to implement this strategy may be of no or limited value, we may lose customers, our financial results may be adversely affected and our stock price may suffer.

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 integrate CA's business successfully and efficiently. The challenges involved in this integration, which will be complex and time consuming, include the following:

- preserving CA’s customer and other important relationships, including managing a customer base with a wider global footprint, particularly in Europe;
- managing effectively a new business that license products under contracts that need to be regularly renewed, instead of selling products, and competing in a new industry;
- our ability to enter into new, or renewing, contracts that provide for termination thereof by our customers at any time for any reason, in order to enable us to effectively recognize revenue from these contracts ratably over time;
- recognizing revenue for software and subscription offerings, the timing and standards for which differ from those of product sales;
- integrating financial forecasting and controls, procedures and reporting cycles;
- consolidating and integrating corporate, information technology, finance, HR systems and benefits, and administrative infrastructures;
- reorienting the CA sales and marketing force to align with the change in strategy and effectively position the business;
- consolidating the number of CA channel partners, including resellers and global system integrators;

- coordinating and integrating operations and managing employees in countries in which we have not previously operated extensively or at all, including a number of European and South American countries; and
- restructuring the CA workforce, including managing employee transitions and attrition, integrating employees, maintaining employee morale and retaining key employees, particularly for those employees whose compensation structure will be materially different following the acquisition.

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 require significant management attention and may divert management's attention from our business and operational issues and opportunities.

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. 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.

Any acquisitions we may undertake involve risks and uncertainties, such as unexpected delays, challenges and related expenses, and diversion of management's attention. 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, 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.

Failure to manage and successfully integrate the acquisitions we make, or to improve margins of the acquired businesses and products, could materially harm our business, operating results and margins.

Any future acquisitions we make 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 adjust our manufacturing and supply chain to accurately meet customers 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 46% of our net revenue in the fiscal quarter ended February 3, 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.

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 countries such as China may result in trade restrictions 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 could cause our customers and consumers to reduce, delay or forgo technology spending, could lead to the insolvency or consolidation of key suppliers and customers, and could 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.

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 February 3, 2019, approximately 50% 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 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 fiscal quarter ended February 3, 2019, we purchased over 50% of the materials for our manufacturing processes from 10 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 updates, 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 costs. 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, or 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 intellectual property 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, non-product and IP-related revenue, could adversely affect our future gross margin percentages. Although our non-product revenue is generally high margin, it fluctuates significantly from quarter to quarter. 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 may be involved in legal proceedings, including IP, anti-competition and securities litigation, employee-related claims and governmental 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 governmental investigations or inquiries, such as the recent inquiries by the U.S. Federal Trade Commission and the European Commission into certain of our business practices. Litigation or settlement of such actions, regardless of their merit, or involvement in governmental 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 business 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, 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. 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 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.

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 many of our semiconductor products are regulated or sold into regulated industries. These laws and regulations are complex, change frequently, have generally become more stringent over time and may intensify under the current U.S. administration. 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 negatively impact our results of operations.

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 U.S. Federal Communications Commission. If we fail to adequately address any of these rules or regulations, our business could be harmed.

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. 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.

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 our infrastructure and products could also be targeted. Additionally, we use third-party data centers, including for part of our SaaS business, that 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 hackers 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, 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, the Financial Accounting Standards Board adopted Accounting Standard Codification Topic 606, or Topic 606, which 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, one of the tax incentives 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. Subject to our compliance with the conditions specified in these incentives and legislative developments, this Singapore tax incentive is presently expected to expire in fiscal year 2020, subject in certain cases to potential extensions, which we may or may not be able to obtain, and any subsequent changes in incentive scope. Absent this tax incentive, the corporate income tax rate that would otherwise apply to our Singapore taxable income would be 17%. 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, which may not be as beneficial to us as the benefits provided under the present arrangements. The effect of these tax incentives and tax holiday was to increase the benefit from income taxes by approximately $590 million and increase diluted net income per share by $1.37 for fiscal year 2018. For fiscal years 2017 and 2016, the effect of these tax incentives and tax holiday, in the aggregate, was to reduce the overall provision for income taxes by approximately $237 million and $169 million, respectively, increase diluted net income per share by $0.56 for fiscal year 2017, and reduce diluted net loss per share by $0.44 for fiscal year 2016.

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, or 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, or 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 February 3, 2019, our total consolidated indebtedness under our senior unsecured notes that were issued and sold in January 2017 and October 2017, collectively the 2017 Senior Notes, was $17,550 million. Subsequent to the end of our fiscal year 2018, we borrowed $18,000 million under the 2019 Term Loans to finance the CA Merger and we assumed $2,250 million of CA's outstanding senior unsecured notes. We expect to maintain heightened levels of indebtedness going forward, in part due to our ongoing dividend and stock buy-back programs.

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 2019 Term Loans, 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 2019 Term Loans;
- 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; 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.

While we expect to continue to allocate a substantial amount of our free cash flow to stock repurchases, 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, 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 December 31, 2018, we believe 12 of our 20 largest stockholders were active institutional investors who held approximately 35% of our outstanding shares of common stock in the aggregate, with Capital World Investors being our largest stockholder with approximately 12% 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 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 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. We may repurchase our common stock from time to time on or prior to November 3, 2019, the end of our fiscal year 2019.

The following table presents details of our various repurchases during the fiscal quarter ended February 3, 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 (b)
	(In millions, except per share data)			
November 5, 2018 — December 2, 2018	2	$ 230.47	2	$ 4,324
December 3, 2018 — December 30, 2018	9	$ 250.21	9	$ 8,065
December 31, 2018 — February 3, 2019	3	$ 245.70	3	$ 7,306
Total	14	$ 246.64	14	

(a) We also paid approximately $77 million in employee withholding taxes due upon the vesting of, and related to net settled equity awards. We withheld approximately 0.3 million shares of common stock from employees in connection with such net share settlement at an average price of $243.23 per share. These shares may be deemed to be "issuer purchases" of shares and are not included in this table.

(b) Includes an additional $6 billion authorized by our Board of Directors on December 5, 2018.

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

On March 13, 2019, our Board of Directors terminated our current Policy on Acceleration of Executive Staff Equity Awards in the Event of Death or Permanent Disability, or the Original Policy, and adopted two new policies with immediate effect: Policy on Acceleration of Executive Staff Equity Awards in the Event of Permanent Disability, or the Acceleration upon Permanent Disability Policy, and Policy on Acceleration of Equity Awards in the Event of Death, or the Acceleration upon Death Policy. These policies bifurcate the disability and death benefits under the Original Policy and the Acceleration upon Death Policy extends the death benefit to all employees, directors and service providers.

The Acceleration upon Permanent Disability Policy applies in the event the employment of (i) any officer of the Company, as such term is defined Rule 16a-1, promulgated under the Securities Exchange Act of 1934, as amended, and (ii) any member of the Executive Staff as determined by the Chief Executive Officer, collectively referred to as the Covered Executives, terminates due to the Covered Executive's permanent disability, or a Covered Disability Termination. Under this policy, in the event a Covered Executive experiences a Covered Disability Termination, each outstanding and unvested Company equity and equity-linked award held by such employee at such date for which vesting has already commenced and which vests solely based on continued service (including performance-based awards for which the performance criteria have been met as of such date), automatically vests in full.

The Acceleration upon Death Policy applies in the event the service of any employee, director or other service provider, collectively referred to as Eligible Persons, of the Company or its subsidiaries terminates due to the Eligible Person's death, or Covered Termination. Under this policy, in the event an Eligible Person experiences a Covered Termination, each outstanding and unvested Company equity and equity-linked award held by such Eligible Person at such date for which vesting has already commenced and which vests solely based on continued service (including performance-based awards for which the performance criteria have been met as of such date), automatically vests in full.

The foregoing summary of the Acceleration upon Permanent Disability Policy and the Acceleration upon Death Policy is qualified in its entirety by reference to the full text of such policies, which are attached hereto as Exhibits 10.6 and 10.7, respectively.

Item 6. Exhibits

EXHIBIT INDEX

Exhibit Number	Description	Incorporated by Reference Herein: Form	Incorporated by Reference Herein: Filing Date	Filed Herewith
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	
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(“Co-Issuers”), the Company, Broadcom Cayman L.P., and BC Luxembourg S.à r.l. (the “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	

Exhibit Number	Description	Incorporated by Reference Herein		Filed Herewith
		Form	Filing Date	
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., (the "October 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 File No. 333-222898)	April 9, 2018	
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	
10.1	Credit Agreement, dated as of November 5, 2018, among the Company, the lenders and other third 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)	November 5, 2018	
10.2+	Agreement for Multi-Year Equity Award of RSUs under the Avago Technologies Limited 2009 Equity Incentive Award Plan (the "Avago Plan").	Broadcom Inc. Current Report on Form 8-K (Commission File No. 333-222898)	December 6, 2018	
10.3+	Agreement for Multi-Year Equity Award of Performance Stock Units ("PSUs") under the Avago Plan.	Broadcom Inc. Current Report on Form 8-K (Commission File No. 333-222898)	December 6, 2018	
10.4+	Agreement for Multi-Year Equity Award of RSUs under the Broadcom Corporation 2012 Stock Incentive Plan (the "BRCM Plan").	Broadcom Inc. Current Report on Form 8-K (Commission File No. 333-222898)	December 6, 2018	

Table of Contents

Exhibit Number	Description	Incorporated by Reference Herein: Form	Filing Date	Filed Herewith
10.5+	Agreement for Multi-Year Equity Award of PSUs under the BRCM Plan.	Broadcom Inc. Current Report on Form 8-K (Commission File No. 333-222898)	December 6, 2018	
10.6+	Policy on Acceleration of Executive Staff Equity Awards in the Event of Permanent Disability.			X
10.7+	Policy on Acceleration of Equity Awards in the Event of Death.			X
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			X
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

\# 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.

\+ Indicates a management or compensatory plan or arrangement.

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: March 15, 2019

Broadcom Inc.
(the “Company”)

Policy on Acceleration of Executive Staff Equity Awards in the Event of Permanent Disability

March 13, 2019

This policy (the “Policy”) applies in the event of the Permanent Disability, as defined below, of (i) any officer of the Company, as such term is defined Rule 16a-1, promulgated under the Securities Exchange Act of 1934, as amended (each, an “Officer”) and (ii) any member of the Executive Staff, from time to time, of the Chief Executive Officer of the Company (the “CEO”), as determined by the CEO (each such person, an “Executive Staff Member” and together with the Officers, the “Covered Executives”).

The Board of Directors of the Company (the “Board”) believes that it is important to provide Covered Executives with certain benefits relating to their outstanding equity and equity-linked awards, as set forth below, upon his or her termination of service to the Company and its subsidiaries (collectively, “Broadcom”) due to Permanent Disability, to enhance Covered Executives’ financial security thereby providing incentive and encouragement to remain with Broadcom notwithstanding the possibility of such an event.

In the event an employee of Broadcom experiences a Covered Termination at a time when he or she is a Covered Executive, each outstanding and unvested Eligible Award shall automatically become vested and, if applicable, any forfeiture restrictions or rights of repurchase thereon shall immediately lapse, in each case, with respect to one-hundred percent (100%) of that number of unvested shares of Company common stock underlying such Eligible Award as of the Termination Date.

“Compensation Committee” means the Compensation Committee of the Board.

“Covered Termination” means the termination of Covered Executive’s employment because of Covered Executive’s Permanent Disability, in each case, to the extent necessary, that constitutes a “Separation from Service” (as defined below).

“Eligible Award” means each Company equity and equity-linked award held by such employee that as of the Termination Date, pursuant to its terms, vests solely based upon continued service (including, without limitation, each time-based stock option and restricted stock unit award and each performance-based stock option and restricted stock unit award for which the performance criteria has been met as of the Termination Date), provided that any such award with a Vesting Base Date (as defined in the agreement evidencing the award) shall be deemed an Eligible Award only if the Termination Date occurs following the Vesting Base Date.

“Permanent Disability” means the Covered Executive is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than twelve (12) months.

“Termination Date” means the date Covered Executive experiences a Covered Termination.

Notwithstanding any provision to the contrary in this Policy, no amount deemed deferred compensation subject to Section 409A of the Internal Revenue Code of 1986, as amended (the “Code”) shall be payable pursuant to this Policy unless Covered Executive’s termination of employment constitutes a “separation from service” with Broadcom within the meaning of Section 409A of the Code and the Department of Treasury regulations and other guidance promulgated thereunder (“Separation from Service”) and, except as provided in the following paragraph, any such amount shall be paid or distributed on the sixtieth (60th) day following the Covered Executive’s Separation from Service.

If the Covered Executive is deemed at the time of his or her Separation from Service to be a “specified employee” for purposes of Section 409A(a)(2)(B)(i) of the Code, to the extent delayed commencement of any portion of the benefits to which Executive is entitled under this Policy is required in order to avoid a prohibited distribution under Section 409A(a)(2)(B)(i) of the Code, such portion of Covered Executive’s benefits shall not be provided to Executive (or such Executive’s heirs, executors, legatees, administrators or successors, as applicable) prior to the earlier of (a) the expiration of the six (6)-month period measured from the date of Executive’s Separation from Service or (b) the date of Executive’s death. Upon the first business day following the expiration of the applicable Code Section 409A(a)(2)(B)(i) period, all payments deferred pursuant to this paragraph shall be paid or distributed in a single lump sum to Executive.

Each Covered Executive’s employment with Broadcom is and shall continue to be “at-will,” as defined under applicable law.

The benefits provided under this Policy are intended to be additive to any benefits a Covered Executive becomes entitled to under any other policy, program, plan or agreement, notwithstanding any language therein to the contrary, unless the provision of benefits hereunder is deemed by the Board or the Compensation Committee, as applicable, to be duplicative. Any determination of the Board or the Compensation Committee, as applicable, shall be conclusive and binding on the Company and the applicable Covered Executive. For the avoidance of doubt, this Policy supersedes the Policy on Acceleration of Executive Staff Equity Awards in the Event of Death or Permanent Disability, dated April 4, 2018, which has been terminated effective as of the date this Policy was approved by the Board.

This Policy shall be administered by the Compensation Committee in respect of Covered Executives other than the CEO and by the Board in respect of the CEO. The determination of the Board or the Compensation Committee, as applicable, need not be uniform with respect to one or more Covered Executives.

The Policy will be governed by and construed in accordance with the laws of the State of California.

The Board or the Compensation Committee may amend, repeal or replace the Policy in whole or part at any time, provided, that to the extent any such amendment or replacement materially increases the benefit provided to the CEO hereunder, such amendment or replacement shall be approved by the Board.

Policy Effective March 13, 2019

Broadcom Inc.
(the "Company")

Policy on Acceleration of
Equity Awards in the Event of Death

March 13, 2019

This policy (the "Policy") applies in the event of the death of an employee, director or other service provider of the Company or its subsidiaries (collectively, "Broadcom").

The Board of Directors of the Company (the "Board") believes that it is important to provide each employee, director or other service provider of Broadcom (each, an "Eligible Person") with certain benefits relating to their outstanding equity and equity-linked awards, as set forth below, upon his or her termination of service to Broadcom due to death to enhance the Eligible Person's financial security thereby providing incentive and encouragement to remain with Broadcom notwithstanding the possibility of such an event.

In the event an Eligible Person experiences a Covered Termination, then each outstanding and unvested Eligible Award held by such Eligible Person shall automatically become vested and, if applicable, any forfeiture restrictions or rights of repurchase thereon shall immediately lapse, in each case, with respect to one-hundred percent (100%) of that number of unvested shares of Company common stock underlying such Eligible Award as of the Termination Date.

"Compensation Committee" means the Compensation Committee of the Board.

"Covered Termination" means the termination of an Eligible Person's employment or other service due to such Eligible Person's death, provided, that none of the following exists at the time of such death: (i) such death is the result of such Eligible Person's suicide, (ii) such Eligible Person's death occurred during the commission of a crime and (iii) the individual responsible for the death of such Eligible Person is reasonably expected to benefit from the acceleration of the vesting of the Eligible Award, in each case, as determined by the Policy Committee.

"Eligible Award" means each Company equity and equity-linked award held by an Eligible Person that as of the Termination Date, pursuant to its terms, vests solely based upon continued service (including, without limitation, each time-based stock option and restricted stock unit award and each performance-based stock option and restricted stock unit award for which the performance criteria has been met as of the Termination Date), provided that any such award with a Vesting Base Date (as defined in the agreement evidencing the award) shall be deemed an Eligible Award only if the Termination Date occurs following the Vesting Base Date.

"Policy Committee" means a committee designated by the Compensation Committee that shall initially be comprised of Broadcom's Vice President of Human Resources, Head of Internal Audit, Associate General Counsel, Employment and Deputy General Counsel, Corporate.

"Termination Date" means the date an Eligible Person experiences a Covered Termination.

Each individual's employment or other service relationship with Broadcom is and shall continue to be "at-will," as defined under applicable law.

The benefits provided under this Policy are intended to be additive to any benefits an Eligible Person becomes entitled to under any other policy, program, plan or agreement, notwithstanding any language therein to the contrary, unless the provision of benefits hereunder is deemed by the Compensation Committee or Policy Committee, as applicable, to be duplicative.

This Policy shall be administered by the Policy Committee in respect of Eligible Persons who are not (i) officers of the Company, as such term is defined Rule 16a-1, promulgated under the Securities Exchange Act of 1934, as amended (each such person, an "Officer"), and (ii) a member of the Executive Staff, from time to time, of the Chief Executive Officer of Broadcom (the "CEO"), as determined by the CEO (each such person, an "Executive Staff Member"). This Policy shall be administered solely by the Compensation Committee in respect of each Officer, director of the Company or employee designated as an Executive Staff Member. The Compensation Committee shall have the authority to remove and appoint members of the Policy Committee at any time, and may, from time to time, revest in itself the authority to administer this Policy. Any determination under this Policy by the Compensation Committee or, to the extent authorized hereunder, the Policy Committee shall be conclusive and binding on Broadcom and the applicable Eligible Person. The determination of the Compensation Committee or Policy Committee, as applicable need not be uniform with respect to one or more Eligible Persons.

The Policy will be governed by and construed in accordance with the laws of the State of California.

The Compensation Committee may amend, repeal or replace the Policy in whole or part at any time, provided, that to the extent any such amendment or replacement materially increases the benefit provided to the CEO hereunder, such amendment or replacement shall be approved by the Board.

Policy Effective: March 13, 2019

EXHIBIT 31.1

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: March 15, 2019

/s/ Hock E. Tan

Hock E. Tan
Chief Executive Officer

EXHIBIT 31.2

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: March 15, 2019

/s/ Thomas H. Krause, Jr.

Thomas H. Krause, Jr.
Chief Financial Officer and Principal Financial Officer

EXHIBIT 32.1

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 February 3, 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: March 15, 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.

EXHIBIT 32.2

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 February 3, 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: March 15, 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.