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**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 September 26, 2020 or

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

For the transition period from _____ to _____.

Commission File Number 000-18548

XILINX, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

**2100 Logic Drive
San Jose
California**
(Address of principal executive
offices)

77-0188631
(I.R.S. Employer
Identification No.)
95124
(Zip Code)

(408) 559-7778

(Registrant's telephone number, including area code)

N/A

(Former name, former address, and former fiscal year, if changed since last report)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$0.01 par value	XLNX	The Nasdaq Global Select Market

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

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

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

Large accelerated filer	<input checked="" type="checkbox"/> Accelerated filer	<input type="checkbox"/> Non-accelerated filer	
Smaller reporting company	<input type="checkbox"/> Emerging growth company	<input type="checkbox"/>	

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

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

Shares outstanding of the registrant's common stock:

<u>Class</u>	<u>Shares Outstanding as of October 9, 2020</u>
Common Stock, \$0.01 par value	245,059,000

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This Quarterly Report on Form 10-Q contains forward-looking statements, within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements may be found throughout this Quarterly Report and involve numerous known and unknown risks and uncertainties and are based on current expectations. The reader should not place undue reliance on these forward-looking statements. Our actual results could differ materially from those anticipated in these forward-looking statements for many reasons, including those risks discussed under "Risk Factors" and elsewhere in this document. Often, forward-looking statements can be identified by the use of forward-looking words, such as "may," "will," "could," "should," "expect," "believe," "anticipate," "estimate," "continue," "plan," "intend," "project" and other similar terminology, or the negative of such terms. We disclaim any responsibility to update or revise any forward-looking statement provided in this Quarterly Report or in any of our other communications for any reason.

PART I. FINANCIAL INFORMATION**Item 1. Financial Statements**

XILINX, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

(In thousands, except per share amounts)	Three Months Ended		Six Months Ended	
	September 26, 2020	September 28, 2019	September 26, 2020	September 28, 2019
Net revenues	\$ 766,535	\$ 833,366	\$ 1,493,208	\$ 1,682,998
Cost of revenues:				
Cost of products sold	218,120	287,372	444,223	570,872
Amortization of acquisition-related intangibles	6,696	5,734	13,393	9,003
Total cost of revenues	224,816	293,106	457,616	579,875
Gross margin	541,719	540,260	1,035,592	1,103,123
Operating expenses:				
Research and development	219,647	222,979	429,760	427,079
Selling, general and administrative	113,793	111,596	219,176	219,021
Amortization of acquisition-related intangibles	2,862	2,169	5,724	2,569
Total operating expenses	336,302	336,744	654,660	648,669
Operating income	205,417	203,516	380,932	454,454
Interest and other income (expense), net	(10,771)	12,329	(22,924)	23,941
Income before income taxes	194,646	215,845	358,008	478,395
Provision (benefit) for income taxes	830	(11,148)	70,356	9,943
Net income	\$ 193,816	\$ 226,993	\$ 287,652	\$ 468,452
Net income per common share:				
Basic	\$ 0.79	\$ 0.90	\$ 1.18	\$ 1.85
Diluted	\$ 0.79	\$ 0.89	\$ 1.17	\$ 1.83
Cash dividends per common share	\$ 0.38	\$ 0.37	\$ 0.76	\$ 0.74
Shares used in per share calculations:				
Basic	244,837	252,399	243,602	252,728
Diluted	246,763	255,269	245,847	256,509

See notes to condensed consolidated financial statements.

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XILINX, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

(In thousands)	Three Months Ended		Six Months Ended	
	September 26, 2020	September 28, 2019	September 26, 2020	September 28, 2019
Net income	\$ 193,816	\$ 226,993	\$ 287,652	\$ 468,452
Other comprehensive income (loss), net of tax:				
Change in net unrealized gains (losses) on available-for-sale securities	(100)	1,961	267	11,716
Reclassification adjustment for (gains) losses on available-for-sale securities	132	(366)	(145)	(799)
Change in unrealized gains (losses) on hedging transactions	2,420	(4,442)	9,549	(4,013)
Reclassification adjustment for (gains) losses on hedging transactions	(1,337)	1,329	350	2,151
Cumulative translation adjustment, net	4,834	(2,146)	1,968	(2,781)
Other comprehensive income (loss)	5,949	(3,664)	11,989	6,274
Total comprehensive income	<u>\$ 199,765</u>	<u>\$ 223,329</u>	<u>\$ 299,641</u>	<u>\$ 474,726</u>

See notes to condensed consolidated financial statements.

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XILINX, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except par value amounts)

	September 26, 2020	March 28, 2020
	(unaudited)	
ASSETS		
<i>Current assets:</i>		
Cash and cash equivalents	\$ 1,170,776	\$ 1,777,703
Short-term investments	1,925,160	489,513
Accounts receivable, net	362,497	273,028
Inventories	282,048	304,340
Prepaid expenses and other current assets	73,034	64,557
Total current assets	<u>3,813,515</u>	<u>2,909,141</u>
Property, plant and equipment, at cost	999,411	989,315
Accumulated depreciation and amortization	<u>(641,931)</u>	<u>(616,741)</u>
Net property, plant and equipment	357,480	372,574
Goodwill	619,413	619,196
Acquisition-related intangibles, net	181,227	200,344
Other assets	604,296	592,079
Total Assets	<u><u>\$ 5,575,931</u></u>	<u><u>\$ 4,693,334</u></u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
<i>Current liabilities:</i>		
Accounts payable	\$ 106,021	\$ 102,131
Accrued payroll and related liabilities	312,356	231,439
Income taxes payable	38,386	36,217
Other accrued liabilities	134,146	216,634
Current portion of long-term debt	499,662	499,260
Total current liabilities	<u>1,090,571</u>	<u>1,085,681</u>
Long-term debt	1,492,066	747,110
Long-term income taxes payable	470,400	447,383
Other long-term liabilities	70,057	98,111
Commitments and contingencies (Note 17)		
<i>Stockholders' equity:</i>		
Preferred stock, \$.01 par value	—	—
Common stock, \$.01 par value	2,450	2,438
Additional paid-in capital	1,221,254	1,145,083
Retained earnings	1,237,421	1,187,805
Accumulated other comprehensive loss	<u>(8,288)</u>	<u>(20,277)</u>
Total stockholders' equity	<u>2,452,837</u>	<u>2,315,049</u>
Total Liabilities and Stockholders' Equity	<u><u>\$ 5,575,931</u></u>	<u><u>\$ 4,693,334</u></u>

See notes to condensed consolidated financial statements.

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XILINX, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

(In thousands)	Six Months Ended	
	September 26, 2020	September 28, 2019
<i>Cash flows from operating activities:</i>		
Net income	\$ 287,652	\$ 468,452
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization of software	61,998	42,551
Amortization - others	30,375	22,050
Stock-based compensation	108,822	92,575
Deferred income taxes	(10,028)	11,342
Others	3,462	(19,580)
Changes in assets and liabilities:		
Accounts receivable, net	(89,468)	5,523
Inventories	22,292	(14,675)
Prepaid expenses and other current assets	(995)	(1,860)
Other assets	(21,530)	(12,539)
Accounts payable	(3,035)	(19,786)
Accrued liabilities	81,781	21
Income taxes payable	21,728	(52,164)
Net cash provided by operating activities	493,054	521,910
<i>Cash flows from investing activities:</i>		
Purchases of available-for-sale securities	(2,743,360)	(671,515)
Proceeds from sale and maturity of available-for-sale and equity securities	1,231,731	1,458,286
Purchases of property, plant and equipment and software	(30,792)	(62,842)
Other investing activities	(12,198)	(5,453)
Acquisition of business, net of cash acquired	—	(454,613)
Net cash provided by (used in) investing activities	(1,554,619)	263,863
<i>Cash flows from financing activities:</i>		
Repurchases of common stock	(53,682)	(477,245)
Taxes paid related to net share settlements of restricted stock units	(53,425)	(71,778)
Proceeds from issuance of common stock through various stock plans	20,114	19,802
Payment of dividends to stockholders	(185,519)	(187,445)
Proceeds from issuance of long-term debt, net	744,427	—
Other financing activities	(17,277)	(9,784)
Net cash provided by (used in) financing activities	454,638	(726,450)
Net increase (decrease) in cash and cash equivalents	(606,927)	59,323
Cash and cash equivalents at beginning of period	1,777,703	1,544,490
Cash and cash equivalents at end of period	\$ 1,170,776	\$ 1,603,813
Supplemental disclosure of cash flow information:		
Interest paid	\$ 21,289	\$ 30,513
Income taxes paid, net	\$ 59,145	\$ 50,332

See notes to condensed consolidated financial statements.

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XILINX, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Unaudited)

Three Months Ended September 26, 2020 (In thousands, except per share amounts)	Common Stock Outstanding		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
	Shares	Amount				
Balance as of June 27, 2020	243,231	\$ 2,432	\$ 1,194,748	\$ 1,136,710	\$ (14,237)	\$ 2,319,653
Components of comprehensive income:						
Net income	—	—	—	193,816	—	193,816
Other comprehensive income	—	—	—	—	5,949	5,949
Issuance of common shares under employee stock plans, net	1,828	18	(31,933)	—	—	(31,915)
Stock-based compensation expense	—	—	58,439	—	—	58,439
Cash dividends declared (\$0.38 per common share)	—	—	—	(93,105)	—	(93,105)
Balance as of September 26, 2020	<u>245,059</u>	<u>\$ 2,450</u>	<u>\$ 1,221,254</u>	<u>\$ 1,237,421</u>	<u>\$ (8,288)</u>	<u>\$ 2,452,837</u>

Six Months Ended September 26, 2020 (In thousands, except per share amounts)	Common Stock Outstanding		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
	Shares	Amount				
Balance as of March 28, 2020	243,810	\$ 2,438	\$ 1,145,083	\$ 1,187,805	\$ (20,277)	\$ 2,315,049
Components of comprehensive income:						
Net income	—	—	—	287,652	—	287,652
Other comprehensive income	—	—	—	—	11,989	11,989
Issuance of common shares under employee stock plans, net	1,934	19	(35,173)	—	—	(35,154)
Repurchase and retirement of common stock	(685)	(7)	2,522	(52,517)	—	(50,002)
Stock-based compensation expense	—	—	108,822	—	—	108,822
Cash dividends declared (\$0.76 per common share)	—	—	—	(185,519)	—	(185,519)
Balance as of September 26, 2020	<u>245,059</u>	<u>\$ 2,450</u>	<u>\$ 1,221,254</u>	<u>\$ 1,237,421</u>	<u>\$ (8,288)</u>	<u>\$ 2,452,837</u>

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XILINX, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Unaudited)

Three Months Ended September 28, 2019 (In thousands, except per share amounts)	Common Stock Outstanding		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
	Shares	Amount				
Balance as of June 29, 2019	251,020	\$ 2,510	\$ 880,305	\$ 1,743,241	\$ (13,472)	\$ 2,612,584
Components of comprehensive income:						
Net income	—	—	—	226,993	—	226,993
Other comprehensive loss	—	—	—	—	(3,664)	(3,664)
Issuance of common shares under employee stock plans, net	1,921	20	(47,876)	—	—	(47,856)
Repurchase and retirement of common stock, including settlement of stock repurchase agreement	(1,475)	(15)	95,971	(144,446)	—	(48,490)
Stock-based compensation expense	—	—	49,822	—	—	49,822
Cash dividends declared (\$0.37 per common share)	—	—	—	(93,484)	—	(93,484)
Balance as of September 28, 2019	<u>251,466</u>	<u>\$ 2,515</u>	<u>\$ 978,222</u>	<u>\$ 1,732,304</u>	<u>\$ (17,136)</u>	<u>\$ 2,695,905</u>

Six Months Ended September 28, 2019 (In thousands, except per share amounts)	Common Stock Outstanding		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
	Shares	Amount				
Balance as of March 30, 2019	253,891	\$ 2,539	\$ 1,005,411	\$ 1,876,969	\$ (23,410)	\$ 2,861,509
Components of comprehensive income:						
Net income	—	—	—	468,452	—	468,452
Other comprehensive income	—	—	—	—	6,274	6,274
Issuance of common shares under employee stock plans, net	2,018	20	(51,996)	—	—	(51,976)
Repurchase and retirement of common stock	(4,443)	(44)	(67,768)	(425,672)	—	(493,484)
Stock-based compensation expense	—	—	92,575	—	—	92,575
Cash dividends declared (\$0.74 per common share)	—	—	—	(187,445)	—	(187,445)
Balance as of September 28, 2019	<u>251,466</u>	<u>\$ 2,515</u>	<u>\$ 978,222</u>	<u>\$ 1,732,304</u>	<u>\$ (17,136)</u>	<u>\$ 2,695,905</u>

See notes to condensed consolidated financial statements.

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XILINX, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1. Basis of Presentation

The accompanying interim condensed consolidated financial statements have been prepared in conformity with United States (U.S.) generally accepted accounting principles (GAAP) for interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X, and should be read in conjunction with the Xilinx, Inc. (Xilinx or the Company) consolidated financial statements filed with the U.S. Securities and Exchange Commission (SEC) on Form 10-K for the fiscal year ended March 28, 2020. The interim financial statements are unaudited, but reflect all adjustments which are, in the opinion of management, of a normal, recurring nature necessary to provide a fair statement of results for the interim periods presented. The results of operations for the interim periods shown in this report are not necessarily indicative of the results that may be expected for the fiscal year ending April 3, 2021 or any future period.

The Company uses a 52- to 53-week fiscal year ending on the Saturday nearest March 31. Fiscal 2021 and fiscal 2020 are 53-week and 52-week years ending on April 3, 2021 and March 28, 2020, respectively. The quarters ended September 26, 2020 and September 28, 2019 each consisted of 13 weeks.

Note 2. Recent Accounting Changes and Accounting Pronouncements*Recent Accounting Pronouncements Adopted*Credit Losses

In June 2016, the Financial Accounting Standards Board (FASB) issued authoritative guidance to replace the incurred loss impairment methodology under current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The guidance requires a forward-looking expected credit loss model for financial assets, including accounts receivable and available for sale debt securities. The Company adopted this authoritative guidance in the first quarter of fiscal 2021 and the impact of the adoption was not material to the Company's condensed consolidated financial statements.

Goodwill

In January 2017, the FASB issued authoritative guidance that simplifies the accounting for goodwill impairment. The authoritative guidance removes Step 2 of the goodwill impairment test, which required a hypothetical purchase price allocation. Goodwill impairment will now be the amount by which a reporting unit's carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. All other goodwill impairment guidance remains largely unchanged. Entities will continue to have the option to perform a qualitative assessment to determine if a quantitative impairment test is necessary. The Company adopted this authoritative guidance in the first quarter of fiscal 2021 and the adoption did not impact the Company's condensed consolidated financial statements.

Cloud Computing Arrangements

In August 2018, the FASB issued new guidance requiring a customer in a cloud computing arrangement (i.e., hosting arrangement) that is a service contract to follow the internal-use software guidance to determine which implementation costs to capitalize as assets or expense as incurred. Capitalized implementation costs related to a hosting arrangement that is a service contract will be amortized over the term of the hosting arrangement, beginning when the module or component of the hosting arrangement is ready for its intended use. The Company adopted this authoritative guidance in the first quarter of fiscal 2021 and the impact of the adoption was not material to the Company's condensed consolidated financial statements.

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In December 2019, the FASB issued authoritative guidance that simplifies the accounting for income taxes as part of the overall initiative to reduce complexity in accounting standards. Amendments include removal of certain exceptions to the general principles of Accounting Standards Codification 740, Income Taxes. The amendments also include simplification in several other areas, such as recognition of deferred tax assets on step-up in tax basis in goodwill and accounting for franchise tax that is partially based on income. For public entities, the guidance is effective for fiscal years beginning after December 15, 2020, and interim periods within those fiscal years, which for Xilinx would be the first quarter of fiscal 2022. Early adoption is permitted in any interim or annual period, with any adjustments reflected as of the beginning of the fiscal year of adoption. The Company has decided not to early adopt this new authoritative guidance and is currently evaluating the impact of this authoritative guidance on its consolidated financial statements.

Note 3. Significant Customers and Concentrations of Credit Risk

Avnet, Inc. (Avnet), one of the Company's distributors, distributes the Company's products worldwide. As of September 26, 2020 and March 28, 2020, Avnet accounted for 25% and 31% of the Company's total net accounts receivable, respectively. Net revenues from Avnet accounted for 41% and 43% of the Company's worldwide net revenues in the second quarter and the first six months of fiscal 2021, respectively. Net revenues from Avnet accounted for 40% of the Company's worldwide net revenues in both the second quarter and the first six months of fiscal 2020. While the percentage of worldwide net revenues from Avnet fluctuates from period to period, overall the percentage is within historical ranges.

For the second quarter and the first six months of fiscal 2021, approximately 52% and 57% of the Company's net revenues were from products sold to distributors for subsequent resale to original equipment manufacturers (OEMs) or their subcontract manufacturers, respectively. For both the second quarter and the first six months of fiscal 2020 the percentages of the Company's net revenues from distributors were 49%.

No other distributor or end customer accounted for more than 10% of the Company's worldwide net revenues for the second quarter and the first six months of fiscal 2021. No other distributor accounted for more than 10% of the Company's worldwide net revenues for the second quarter and the first six months of fiscal 2020. However, one end customer accounted for 12% and 10% of the Company's worldwide net revenues for the second quarter and the first six months of fiscal 2020, respectively.

Xilinx is subject to concentrations of credit risk primarily in its trade accounts receivable and investments in debt securities to the extent of the amounts recorded on the condensed consolidated balance sheet. The Company attempts to mitigate the concentrations of credit risk in its trade receivables through its credit evaluation process, collection terms, distributor sales to diverse end customers and through geographical dispersion of sales. Xilinx generally does not require collateral for receivables from its end customers or distributors.

The Company mitigates concentrations of credit risk in its investments in debt securities by currently investing approximately 97% of its portfolio in AA (or its equivalent) or higher-grade securities as rated by Standard & Poor's or Moody's Investors Service. The Company's methods to arrive at investment decisions are not solely based on the rating agencies' credit ratings. Xilinx also performs additional credit due diligence and conducts regular portfolio credit reviews, including a review of counterparty credit risk related to the Company's forward currency exchange contracts. Additionally, Xilinx limits its investments in the debt securities of a single issuer based upon the issuer's credit rating and attempts to further mitigate credit risk by diversifying risk across geographies and type of issuer.

As of September 26, 2020, all of the mortgage-backed securities in the Company's investment portfolio were issued by U.S. government-sponsored enterprises and agencies and are rated AA+ by Standard & Poor's and Aaa by Moody's Investors Service.

Note 4. Fair Value Measurements

The authoritative guidance for fair value measurements established by the FASB defines fair value as the exchange price that would be received from selling an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required or permitted to be recorded at fair value, the Company considers the principal or most advantageous market in which Xilinx would transact and also considers assumptions that market participants would use when pricing the asset or liability, such as inherent risk, transfer restrictions and risk of nonperformance.

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The Company determines the fair value for marketable debt securities using industry standard pricing services, data providers and other third-party sources and by internally performing valuation testing and analysis. The Company primarily uses a consensus price or weighted-average price for its fair value assessment. The Company determines the consensus price using market prices from a variety of industry standard pricing services, data providers, security master files from large financial institutions and other third-party sources and uses those multiple prices as inputs into a distribution-curve-based algorithm to determine the daily market value. The pricing services use multiple inputs to determine market prices, including reportable trades, benchmark yield curves, credit spreads and broker/dealer quotes as well as other industry and economic events. For certain securities with short maturities, such as discount commercial paper and certificates of deposit, the security is accreted from purchase price to face value at maturity. If a subsequent transaction on the same security is observed in the marketplace, the price on the subsequent transaction is used as the current daily market price and the security will be accreted to face value based on the revised price.

The Company validates the consensus prices by taking random samples from each asset type and corroborating those prices using reported trade activity, benchmark yield curves, binding broker/dealer quotes or other relevant price information. There have not been any changes to the Company's fair value methodology during the second quarter of fiscal 2021 and the Company did not adjust or override any fair value measurements as of September 26, 2020.

Fair Value Hierarchy

The fair value framework requires the categorization of assets and liabilities into three levels based upon the assumptions (inputs) used to price the assets or liabilities. The guidance for fair value measurements requires that assets and liabilities carried at fair value be classified and disclosed in one of the following categories:

Level 1 — Quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2 — Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability.

Level 3 — Unobservable inputs to the valuation methodology that are supported by little or no market activity and that are significant to the measurement of the fair value of the assets or liabilities. Level 3 assets and liabilities include those whose fair value measurements are determined using pricing models, discounted cash flow methodologies or similar valuation techniques, as well as significant management judgment or estimation.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

In instances where the inputs used to measure fair value fall into different levels of the fair value hierarchy, the fair value measurement has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. The Company's assessment of the significance of a particular item to the fair value measurement in its entirety requires judgment, including the consideration of inputs specific to the asset or liability. The following tables present information about the Company's assets and liabilities measured at fair value on a recurring basis as of September 26, 2020 and March 28, 2020:

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(In thousands)	September 26, 2020			
	(Level 1)	(Level 2)	(Level 3)	Total Fair Value
Assets				
Cash equivalents:				
Money market funds	\$ 385,263	\$ —	\$ —	\$ 385,263
Financial institution securities	—	80,834	—	80,834
Non-financial institution securities	—	269,884	—	269,884
U.S. government and agency securities	64,992	122,989	—	187,981
Foreign government and agency securities	—	110,237	—	110,237
Short-term investments:				
Financial institution securities	—	325,000	—	325,000
Non-financial institution securities	—	402,103	—	402,103
U.S. government and agency securities	474,867	112,593	—	587,460
Foreign government and agency securities	—	489,624	—	489,624
Mortgage-backed securities	—	99,260	—	99,260
Asset-backed securities	—	875	—	875
Commercial mortgage-backed securities	—	19,300	—	19,300
Marketable equity securities	1,538	—	—	1,538
Derivative financial instruments, net	—	2,416	—	2,416
Total assets measured at fair value	<u>\$ 926,660</u>	<u>\$ 2,035,115</u>	<u>\$ —</u>	<u>\$ 2,961,775</u>

(In thousands)	March 28, 2020			
	(Level 1)	(Level 2)	(Level 3)	Total Fair Value
Assets				
Cash equivalents:				
Money market funds	\$ 656,038	\$ —	\$ —	\$ 656,038
Financial institution securities	—	175,000	—	175,000
Non-financial institution securities	—	361,692	—	361,692
U.S. government and agency securities	150,999	62,274	—	213,273
Foreign government and agency securities	—	244,300	—	244,300
Short-term investments:				
Financial institution securities	—	150,000	—	150,000
Non-financial institution securities	—	115,043	—	115,043
U.S. government and agency securities	1,000	2,000	—	3,000
Foreign government and agency securities	—	9,973	—	9,973
Mortgage-backed securities	—	158,804	—	158,804
Asset-backed securities	—	2,549	—	2,549
Commercial mortgage-backed securities	—	50,144	—	50,144
Total assets measured at fair value	<u>\$ 808,037</u>	<u>\$ 1,331,779</u>	<u>\$ —</u>	<u>\$ 2,139,816</u>
Liabilities				
Derivative financial instruments, net	\$ —	\$ 12,381	\$ —	\$ 12,381
Total liabilities measured at fair value	<u>\$ —</u>	<u>\$ 12,381</u>	<u>\$ —</u>	<u>\$ 12,381</u>
Net assets measured at fair value	<u>\$ 808,037</u>	<u>\$ 1,319,398</u>	<u>\$ —</u>	<u>\$ 2,127,435</u>

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For certain of the Company's financial instruments, including cash held in banks, accounts receivable and accounts payable, the carrying amounts approximate fair value due to their short maturities, and are therefore excluded from the fair value tables above.

Financial Instruments Not Recorded at Fair Value on a Recurring Basis

The Company's \$500.0 million principal amount of 3.000% notes due March 15, 2021 (2021 Notes), \$750.0 million principal amount of 2.950% senior notes due June 1, 2024 (2024 Notes) and \$750.0 million principal amount of 2.375% senior notes due June 1, 2030 (2030 Notes) are measured at fair value on a quarterly basis for disclosure purposes. The fair values of the 2021 Notes, 2024 Notes and 2030 Notes as of September 26, 2020 were approximately \$506.0 million, \$804.0 million and \$793.3 million, respectively, based on the last trading price for the period (classified as Level 2 in fair value hierarchy due to relatively low trading volume).

Assets and Liabilities Measured at Fair Value on a Non-Recurring Basis

As of September 26, 2020, the Company had non-marketable securities in private companies of \$107.4 million, which were classified as Level 3 assets. The Company's investments in non-marketable equity securities of private companies are recorded at fair value if the Company recognizes an observable price adjustment or an impairment. Such impairment losses or observable price adjustments were not material during all periods presented. The Company's investments in non-financial assets such as property, plant and equipment, goodwill and acquisition-related intangibles, are recorded at cost (net of accumulated depreciation or amortization, where applicable). These non-financial assets are reduced to fair value when impaired.

Note 5. Financial Instruments

The following is a summary of cash equivalents and available-for-sale securities as of the end of the periods presented:

(In thousands)	September 26, 2020				March 28, 2020			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Money market funds	\$ 385,263	\$ —	\$ —	\$ 385,263	\$ 656,038	\$ —	\$ —	\$ 656,038
Financial institution securities	405,834	—	—	405,834	325,000	—	—	325,000
Non-financial institution securities	671,987	—	—	671,987	476,735	—	—	476,735
U.S. government and agency securities	775,394	51	(4)	775,441	216,178	95	—	216,273
Foreign government and agency securities	599,862	—	(1)	599,861	254,283	7	(17)	254,273
Mortgage-backed securities	97,500	2,017	(257)	99,260	156,836	2,445	(477)	158,804
Asset-backed securities	857	18	—	875	2,533	18	(2)	2,549
Commercial mortgage-backed securities	19,359	133	(192)	19,300	50,566	134	(556)	50,144
	<u>\$ 2,956,056</u>	<u>\$ 2,219</u>	<u>\$ (454)</u>	<u>\$ 2,957,821</u>	<u>\$ 2,138,169</u>	<u>\$ 2,699</u>	<u>\$ (1,052)</u>	<u>\$ 2,139,816</u>

Financial institution securities include securities issued or managed by financial institutions in various forms, such as commercial paper and time deposits. Substantially all time deposits were issued by institutions outside the U.S. as of September 26, 2020 and March 28, 2020.

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The following tables show the fair values and gross unrealized losses of the Company's investments, aggregated by investment category, for individual securities that have been in a continuous unrealized loss position for the length of time specified, as of September 26, 2020 and March 28, 2020:

September 26, 2020						
(In thousands)	Less Than 12 Months		12 Months or Greater		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Non-financial institution securities	\$ 19,993	\$ —	\$ —	\$ —	\$ 19,993	\$ —
U.S. government and agency securities	149,947	(4)	—	—	149,947	(4)
Foreign government and agency securities	24,997	(1)	—	—	24,997	(1)
Mortgage-backed securities	9,134	(76)	12,474	(181)	21,608	(257)
Commercial mortgage-backed securities	3,665	(59)	684	(133)	4,349	(192)
	<u>\$ 207,736</u>	<u>\$ (140)</u>	<u>\$ 13,158</u>	<u>\$ (314)</u>	<u>\$ 220,894</u>	<u>\$ (454)</u>

March 28, 2020						
(In thousands)	Less Than 12 Months		12 Months or Greater		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Mortgage-backed securities	\$ 13,492	\$ (88)	\$ 31,819	\$ (389)	\$ 45,311	\$ (477)
Asset-backed securities	1,641	(2)	—	—	1,641	(2)
Foreign government and agency securities	30,998	(17)	—	—	30,998	(17)
Commercial mortgage-backed securities	30,593	(282)	2,589	(274)	33,182	(556)
	<u>\$ 76,724</u>	<u>\$ (389)</u>	<u>\$ 34,408</u>	<u>\$ (663)</u>	<u>\$ 111,132</u>	<u>\$ (1,052)</u>

The Company reviewed the investment portfolio and determined that the gross unrealized losses on these investments as of September 26, 2020 and March 28, 2020 were temporary in nature as evidenced by the fluctuations in the gross unrealized losses within the investment categories. The marketable debt securities (non-financial institution securities, U.S. and foreign government and agency securities, asset-backed securities, mortgage-backed securities and commercial mortgage-backed securities) are highly rated by the credit rating agencies, there have been no defaults on any of these securities and the Company has received interest payments as they become due. Therefore, the Company believes that it will be able to collect both principal and interest amount due to the Company. Additionally, in the past several years a portion of the Company's investment in the mortgage-backed securities was redeemed or prepaid by the debtors at par. Furthermore, the aggregate of individual unrealized losses that had been outstanding for twelve months or more was not significant as of September 26, 2020 and March 28, 2020. The Company neither intends to sell these investments nor concludes that it is more-likely-than-not that it will have to sell them until recovery of their carrying values.

The amortized cost and estimated fair value of marketable debt securities, by contractual maturity, are shown in the table below. Actual maturities may differ from contractual maturities because issuers may have the right to call or prepay obligations without call or prepayment penalties.

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(In thousands)	September 26, 2020	
	Amortized Cost	Estimated Fair Value
Due in one year or less	\$ 2,454,654	\$ 2,454,704
Due after one year through five years	2,752	2,792
Due after five years through ten years	15,182	15,872
Due after ten years	98,205	99,190
	<u>\$ 2,570,793</u>	<u>\$ 2,572,558</u>

As of September 26, 2020, \$117.9 million of marketable debt securities with contractual maturities of greater than one year were classified as short-term investments. Additionally, the above table does not include investments in money market funds because these investments do not have specific contractual maturities.

Certain information related to available-for-sale securities is as follows:

(In thousands)	Three Months Ended		Six Months Ended	
	September 26, 2020	September 28, 2019	September 26, 2020	September 28, 2019
Proceeds from sale of available-for-sale securities	<u>\$ 18,798</u>	<u>\$ 143,529</u>	<u>\$ 56,455</u>	<u>\$ 299,623</u>
Gross realized gains on sale of available-for-sale securities	\$ 53	\$ 607	\$ 413	\$ 1,212
Gross realized losses on sale of available-for-sale securities	(224)	(133)	(224)	(172)
Net realized gains (losses) on sale of available-for-sale securities	<u>\$ (171)</u>	<u>\$ 474</u>	<u>\$ 189</u>	<u>\$ 1,040</u>
Amortization of premiums (discounts) on available-for-sale securities	<u>\$ (25)</u>	<u>\$ 1,636</u>	<u>\$ (117)</u>	<u>\$ 2,347</u>

The cost of securities matured or sold is based on the specific identification method.

Note 6. Derivative Financial Instruments

The Company's primary objective for holding derivative financial instruments is to manage foreign currency exchange rate risk and interest rate risk. As a result of the use of derivative financial instruments, the Company is exposed to the risk that counterparties to derivative contracts may fail to meet their contractual obligations. The Company manages counterparty credit risk in derivative contracts by reviewing counterparty creditworthiness on a regular basis, establishing collateral requirement and limiting exposure to any single counterparty. The right of set-off that exists with certain transactions enables the Company to net amounts due to and from the counterparty, reducing the maximum loss from credit risk in the event of counterparty default.

In March and May 2020, the Company entered into interest rate swap contracts with an independent financial institution in an effort to reduce the risk of changes in the underlying benchmark interest rate. During the first quarter of fiscal 2021, the Company unwound the interest rate swap contracts and recognized an immaterial loss. The loss is being amortized as an additional increase to interest expense over the remaining life of the 2030 Notes. There was no ineffectiveness during all periods presented.

Note 7. Stock-Based Compensation Plans

The Company's equity incentive plans are broad-based, long-term retention programs that cover employees, consultants and non-employee directors of the Company. These plans are intended to attract and retain talented employees, consultants and non-employee directors and to provide such persons with a proprietary interest in the Company.

Stock-Based Compensation

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The following table summarizes stock-based compensation expense related to stock awards granted under the Company's equity incentive plans and rights to acquire stock granted under the Company's Employee Stock Purchase Plan (ESPP):

(In thousands)	Three Months Ended		Six Months Ended	
	September 26, 2020	September 28, 2019	September 26, 2020	September 28, 2019
Stock-based compensation included in:				
Cost of revenues	\$ 2,963	\$ 2,812	\$ 5,684	\$ 5,425
Research and development	36,110	29,702	66,479	54,576
Selling, general and administrative	19,366	17,308	36,659	32,574
	<u>\$ 58,439</u>	<u>\$ 49,822</u>	<u>\$ 108,822</u>	<u>\$ 92,575</u>

Employee Stock Option Plans

The types of awards allowed under the 2007 Equity Incentive Plan (2007 Equity Plan) include incentive stock options, non-qualified stock options, restricted stock units (RSUs), restricted stock and stock appreciation rights. As of September 26, 2020, 12.6 million shares remained available for grant under the 2007 Equity Plan.

RSU Awards

A summary of the Company's RSU activity and related information is as follows:

(Shares in thousands)	RSUs Outstanding	
	Number of Shares	Weighted-Average Grant-Date Fair Value Per Share
March 30, 2019	7,331	\$ 59.54
Granted	2,756	\$ 109.53
Vested	(2,820)	\$ 55.24
Cancelled	(487)	\$ 75.09
March 28, 2020	6,780	\$ 80.53
Granted	2,968	\$ 95.11
Vested	(2,234)	\$ 70.90
Cancelled	(488)	\$ 82.66
September 26, 2020	<u>7,026</u>	<u>\$ 89.19</u>

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The estimated fair values of RSUs were calculated based on the market price of Xilinx common stock on the date of grant, reduced by the present value of dividends expected to be paid on Xilinx common stock prior to vesting. The per share weighted-average fair value of RSUs granted during the second quarter of fiscal 2021 was \$95.59 (\$113.02 for the second quarter of fiscal 2020), which were calculated based on estimates at the date of grant using the following weighted-average assumptions:

	Three Months Ended		Six Months Ended	
	September 26, 2020	September 28, 2019	September 26, 2020	September 28, 2019
Risk-free interest rate	0.3 %	1.8 %	0.3 %	1.8 %
Dividend yield	1.5 %	1.3 %	1.5 %	1.3 %

For the majority of RSUs granted, the number of shares of common stock issued on the date the RSU awards vest is net of the minimum statutory withholding requirements that the Company pays in cash to the appropriate taxing authorities on behalf of the Company's employees. During the first six months of fiscal 2021 and 2020, the Company withheld \$53.4 million and \$71.8 million worth of RSU awards, respectively, to satisfy the employees' tax obligations.

During the second quarter and the first six months of fiscal 2021, the Company realized excess tax benefits of \$12.4 million and \$12.7 million, respectively, primarily from RSU vesting. During the second quarter and the first six months of fiscal 2020, the excess tax benefits were \$32.2 million and \$34.3 million, respectively, primarily from RSU vesting. These tax benefits were recorded in the condensed consolidated statements of income as a component of the provision (benefit) for income taxes.

Employee Stock Purchase Plan

Under the Company's ESPP, shares are only issued during the second and fourth quarters of each fiscal year. Employees purchased 283 thousand shares for \$19.8 million during the second quarter of fiscal 2021 and 241 thousand shares for \$19.7 million during the second quarter of fiscal 2020. The per-share weighted-average fair value of stock purchase rights granted under the ESPP during the second quarter of fiscal 2021 and 2020 was \$31.40 and \$33.79, respectively. The fair values of stock purchase plan rights granted in the second quarter of fiscal 2021 and 2020 were estimated using the Black-Scholes option pricing model at the date of grant using the following assumptions:

	2021	2020
Expected life of options (years)	1.25	1.25
Expected stock price volatility	0.38	0.37
Risk-free interest rate	0.1 %	1.9 %
Dividend yield	1.4 %	1.3 %

The next scheduled purchase under the ESPP is in the fourth quarter of fiscal 2021. As of September 26, 2020, 12.4 million shares were available for future issuance under the Company's ESPP.

Note 8. Net Income Per Common Share

The computation of basic net income per common share for all periods presented is derived from information on the condensed consolidated statements of income, and there are no reconciling items in the numerator used to compute the diluted net income per common share. The following table summarizes the computation of basic and diluted net income per common share:

	Three Months Ended		Six Months Ended	
	September 26, 2020	September 28, 2019	September 26, 2020	September 28, 2019
(In thousands, except per share amounts)				
Net income available to common stockholders	\$ 193,816	\$ 226,993	\$ 287,652	\$ 468,452
Weighted average common shares outstanding-basic	244,837	252,399	243,602	252,728
Dilutive effect of employee equity incentive plans	1,926	2,870	2,245	3,781
Weighted average common shares outstanding-diluted	246,763	255,269	245,847	256,509
Basic net income per common share	\$ 0.79	\$ 0.90	\$ 1.18	\$ 1.85
Diluted net income per common share	\$ 0.79	\$ 0.89	\$ 1.17	\$ 1.83

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The total shares used in the denominator of the diluted net income per common share calculation include potentially dilutive common equivalent shares outstanding that are not included in basic net income per common share calculation. The diluted shares were calculated by applying the treasury stock method to the impact of the equity incentive plans.

Certain shares of outstanding stock options and RSUs were excluded from diluted net income per common share calculation by applying the treasury stock method, as their inclusion would have been anti-dilutive. These excluded options and RSUs were immaterial for the second quarter and the first six months of fiscal 2021 and 2020, respectively, but could be dilutive in the future if the Company's average share price increases and is greater than the combined exercise prices and the unamortized fair values of these options and RSUs.

Note 9. Inventories

Inventories are stated at the lower of actual cost (determined using the first-in, first-out method), or market (estimated net realizable value) and are comprised of the following:

(In thousands)	September 26, 2020	March 28, 2020
Raw materials	\$ 28,237	\$ 35,562
Work-in-process	179,529	204,501
Finished goods	74,282	64,277
	<u>\$ 282,048</u>	<u>\$ 304,340</u>

Note 10. Debt and Credit Facility

2021 Notes

On March 12, 2014, the Company issued the 2021 Notes at a discounted price of 99.281% of par. Interest on the 2021 Notes is payable semi-annually on March 15 and September 15. The effective interest rate of the 2021 Notes is 3.115%. The coupon interest rate of the 2021 Notes is 3.000%.

The Company received net proceeds of \$495.4 million from issuance of the 2021 Notes, after the debt discount and deduction of debt issuance costs. The debt discounts and issuance costs are amortized to interest expense over the terms of the 2021 Notes. As of September 26, 2020, the remaining term of the 2021 Notes is 0.5 years.

The following table summarizes the carrying value of the 2021 Notes as of September 26, 2020 and March 28, 2020:

(In thousands)	September 26, 2020	March 28, 2020
Principal amount of the 2021 Notes	\$ 500,000	\$ 500,000
Unamortized discount of the 2021 Notes	(236)	(517)
Unamortized debt issuance costs associated with 2021 Notes	(102)	(223)
Carrying value of the 2021 Notes	<u>\$ 499,662</u>	<u>\$ 499,260</u>

Interest expense related to the 2021 Notes was included in interest and other income (expense), net on the condensed consolidated statements of income as follows:

(In thousands)	Three Months Ended		Six Months Ended	
	September 26, 2020	September 28, 2019	September 26, 2020	September 28, 2019
Contractual coupon interest	\$ 3,750	\$ 3,750	\$ 7,500	\$ 7,500
Amortization of debt issuance costs	61	61	121	122
Amortization of debt discount, net	140	136	281	271
Total interest expense related to the 2021 Notes	<u>\$ 3,951</u>	<u>\$ 3,947</u>	<u>\$ 7,902</u>	<u>\$ 7,893</u>

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On May 30, 2017, the Company issued the 2024 Notes at a discounted price of 99.887% of par. Interest on the 2024 Notes is payable semi-annually on June 1 and December 1. The effective interest rate of the 2024 Notes is 2.968%. The coupon interest rate of the 2024 Notes is 2.950%.

The Company received \$745.2 million from the issuance of the 2024 Notes, after the debt discount and deduction of debt issuance costs. The debt discounts and issuance costs are amortized to interest expense over the term of the 2024 Notes. As of September 26, 2020, the remaining term of the 2024 Notes is approximately 3.7 years.

The following table summarizes the carrying value of the 2024 Notes as of September 26, 2020 and March 28, 2020:

(In thousands)	September 26, 2020	March 28, 2020
Principal amount of the 2024 Notes	\$ 750,000	\$ 750,000
Unamortized discount of the 2024 Notes	(466)	(525)
Unamortized debt issuance costs associated with 2024 Notes	(2,081)	(2,365)
Carrying Value of the 2024 Notes	<u>\$ 747,453</u>	<u>\$ 747,110</u>

Interest expense related to the 2024 Notes was included in interest and other income (expense), net on the condensed consolidated statements of income as follows:

(In thousands)	Three Months Ended		Six Months Ended	
	September 26, 2020	September 28, 2019	September 26, 2020	September 28, 2019
Contractual coupon interest	\$ 5,444	\$ 5,444	\$ 10,887	\$ 11,986
Amortization of debt issuance costs	142	142	284	284
Amortization of debt discount, net	30	29	59	58
Total interest expense related to the 2024 Notes	<u>\$ 5,616</u>	<u>\$ 5,615</u>	<u>\$ 11,230</u>	<u>\$ 12,328</u>

2030 Notes

On May 19, 2020, the Company issued the 2030 Notes at a discounted price of 99.973% of par. Interest on the 2030 Notes is payable semi-annually on June 1 and December 1. The effective interest rate of the 2030 Notes is 2.378%. The coupon interest rate of the 2030 Notes is 2.375%.

The Company received \$744.4 million from the issuance of the 2030 Notes, after the debt discount and deduction of debt issuance costs. The debt discounts and issuance costs are amortized to interest expense over the term of the 2030 Notes. As of September 26, 2020, the remaining term of the 2030 Notes is approximately 9.7 years.

The following table summarizes the carrying value of the 2030 Notes as of September 26, 2020:

(In thousands)	September 26, 2020
Principal amount of the 2030 Notes	\$ 750,000
Unamortized discount of the 2030 Notes	(196)
Unamortized debt issuance costs associated with 2030 Notes	(5,191)
Carrying Value of the 2030 Notes	<u>\$ 744,613</u>

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Interest expense related to the 2030 Notes was included in interest and other income (expense), net on the condensed consolidated statements of income as follows:

	Three Months Ended		Six Months Ended	
	September 26, 2020	September 28, 2019	September 26, 2020	September 28, 2019
(In thousands)				
Contractual coupon interest	\$ 4,521	\$ —	\$ 6,565	\$ —
Amortization of debt issuance costs	134	—	179	—
Amortization of debt discount, net	4	—	7	—
Total interest expense related to the 2030 Notes	<u>\$ 4,659</u>	<u>\$ —</u>	<u>\$ 6,751</u>	<u>\$ —</u>

Revolving Credit Facility

On December 7, 2016, the Company entered into a \$400.0 million senior unsecured revolving credit facility that, upon certain conditions, may be extended by an additional \$150.0 million, with a syndicate of banks (expiring in December 2021). Borrowings under the credit facility will bear interest at a benchmark rate plus an applicable margin based upon the Company's credit rating. In connection with the credit facility, the Company is required to maintain certain financial and nonfinancial covenants. As of September 26, 2020, the Company had made no borrowings under this credit facility and was not in violation of any of the covenants.

Note 11. Common Stock Repurchase Program

The Board of Directors (Board) has approved stock repurchase programs enabling the Company to repurchase its common stock and debentures in the open market or through negotiated transactions with independent financial institutions. On October 22, 2019, the Board authorized another program (2019 Repurchase Program) to repurchase the Company's common stock and debentures up to \$1.00 billion. The 2019 Repurchase Program has no stated expiration date.

Through September 26, 2020, the Company has used \$716.3 million of the \$1.00 billion authorized under the 2019 Repurchase Program, leaving \$283.7 million available for future repurchases. The Company's current policy is to retire all repurchased shares, and consequently, no treasury shares were held as of September 26, 2020 and March 28, 2020.

During the first six months of fiscal 2021, the Company repurchased 0.7 million shares of common stock in the open market for a total of \$53.7 million.

During the first six months of fiscal 2020, the Company repurchased 2.7 million shares of common stock in the open market for a total of \$277.2 million. Additionally, the Company repurchased 1.7 million shares for a total of \$200.0 million by entering into a stock repurchase agreement with an independent financial institution.

Note 12. Interest and Other Income (Expense), Net

The components of interest and other income (expense), net are as follows:

	Three Months Ended		Six Months Ended	
	September 26, 2020	September 28, 2019	September 26, 2020	September 28, 2019
(In thousands)				
Interest income	\$ 1,969	\$ 13,813	\$ 6,923	\$ 31,801
Interest expense	(14,226)	(9,562)	(25,883)	(20,693)
Other income (expense), net	1,486	8,078	(3,964)	12,833
Total interest and other income (expense), net	<u>\$ (10,771)</u>	<u>\$ 12,329</u>	<u>\$ (22,924)</u>	<u>\$ 23,941</u>

Note 13. Accumulated Other Comprehensive Loss

Comprehensive income (loss) is defined as the change in equity of a company during a period from transactions and other events and circumstances from non-owner sources. The components of the Company's accumulated other comprehensive loss are as

follows:

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(In thousands)	September 26, 2020	March 28, 2020
Accumulated unrealized gains on available-for-sale securities, net of tax	\$ 1,441	\$ 1,319
Accumulated unrealized losses on hedging transactions, net of tax	(271)	(10,170)
Accumulated cumulative translation adjustment, net of tax	(9,458)	(11,426)
Total accumulated other comprehensive loss	<u>\$ (8,288)</u>	<u>\$ (20,277)</u>

The related tax effects of other comprehensive income (loss) were not material for all periods presented.

Note 14. Income Taxes

The Company recorded a tax provision of \$0.8 million and \$70.4 million for the second quarter and the first six months of fiscal 2021, respectively, representing effective tax rates of 0.4% and 19.7%, respectively. The Company recorded a tax benefit of \$(11.1) million and a tax provision of \$9.9 million for the second quarter and the first six months of fiscal 2020, respectively, representing effective tax rates of (5.2)% and 2.1%, respectively.

The difference between the U.S. federal statutory tax rate of 21% and the Company's effective tax rate in the second quarter of fiscal 2021 was primarily due to the beneficial impact of income earned in lower tax rate jurisdictions and excess tax benefits with respect to stock-based compensation, which was partially offset by the U.S. tax on global intangible low-taxed income (GILTI). The difference between the U.S. federal statutory tax rate of 21% and the Company's effective tax rate in the first six months of fiscal 2021 was primarily due to the beneficial impact of income earned in lower tax rate jurisdictions and excess tax benefits with respect to stock-based compensation, which was partially offset by tax on GILTI and the recognition of prior and current year detrimental impacts of including stock-based compensation in the intercompany research and development (R&D) cost sharing arrangement.

The difference between the U.S. federal statutory tax rate of 21% and the Company's effective tax rate in the second quarter and the first six months of fiscal 2020 was primarily due to the beneficial impact of income earned in lower tax rate jurisdictions and excess tax benefits with respect to stock-based compensation, which was partially offset by tax on GILTI.

On June 22, 2020, the United States Supreme Court denied *certiorari* in the case of Altera Corp. v. Commissioner ("Altera"). The company is not a party to the proceedings but is subject to the findings of the case. The Altera tax case concerns related party R&D cost sharing arrangements and whether stock-based compensation should be included in the pool of costs to be shared. With the Supreme Court's decision not to hear the Altera case, the decision of the 9th Circuit (which applies to taxpayers such as Xilinx) that stock-based compensation is to be included in the pool of costs to be shared remains in place. During the fiscal quarter ended June 27, 2020, the Company recorded a one-time charge of \$56.8 million for prior year taxes and interest representing the cumulative adverse impact for fiscal 2017 through fiscal 2020. Despite the decision in the Altera case, the Company has concluded the related law remains unsettled and will continue to monitor developments and the potential effect on its consolidated financial statements and tax filings.

The Company's total gross unrecognized tax benefits as of September 26, 2020, determined in accordance with authoritative guidance for measuring uncertain tax positions, increased by \$7.0 million in the second quarter of fiscal 2021 to \$155.0 million. The total amount of unrecognized tax benefits that, if realized in a future period, would favorably affect the effective tax rate was \$111.9 million as of September 26, 2020. It is reasonably possible that changes to the Company's unrecognized tax benefits could be significant in the next twelve months due to tax audit settlements and lapses of statutes of limitation. As a result of uncertainties regarding tax audit settlements and their possible outcomes, an estimate of the range of increase or decrease that could occur in the next twelve months cannot be made.

The Company's policy is to include interest and penalties related to income tax liabilities within the provision for income taxes on the condensed consolidated statements of income. The balance of accrued interest and penalties recorded in the condensed consolidated balance sheets was \$4.1 million as of September 26, 2020 and not material for the prior period presented. The amounts of interest and penalties included in the Company's provision for income taxes were not material for all periods presented.

The statutes of limitations have closed for U.S. federal income tax purposes for years through fiscal 2016, for significant U.S. state income tax purposes for years through fiscal 2014, and for Ireland income tax purposes for years through fiscal 2015.

[Table of Contents](#)**Note 15. Leases and Commitments**

Xilinx leases some of its facilities and office buildings under non-cancelable operating leases that expire at various dates through August 2029. Additionally, Xilinx entered into a land lease in conjunction with the Company's building in Singapore, which will expire in November 2035 and the lease cost was settled in an up-front payment in June 2006. Some of the operating leases for facilities and office buildings require payment of operating costs, including property taxes, repairs, maintenance and insurance. Most of the Company's leases contain renewal options for varying terms. These renewal terms can extend the lease term from 1 to 15 years and are included in the lease term when it is reasonably certain that the Company will exercise the option. The following table presents the maturities of lease liabilities as of September 26, 2020:

Fiscal	(In thousands)
2021 (remaining six months)	\$ 6,778
2022	11,776
2023	7,615
2024	6,533
2025	6,280
Thereafter	28,877
Total lease payments	\$ 67,859
Less: Imputed interest	(14,363)
Total lease liabilities	\$ 53,496

The Company's leases were included as a component of the following condensed consolidated balance sheet lines:

(In thousands)	September 26, 2020	March 28, 2020
Other assets	\$ 51,009	\$ 57,819
Other accrued liabilities	10,545	11,109
Other long-term liabilities	42,951	48,964

The components of lease costs were as follows:

(In thousands)	Three Months Ended		Six Months Ended	
	September 26, 2020	September 28, 2019	September 26, 2020	September 28, 2019
Operating lease cost	\$ 3,558	\$ 4,334	\$ 7,258	\$ 8,606
Lease income	(1,050)	(671)	(1,972)	(1,467)
Total lease cost	\$ 2,508	\$ 3,663	\$ 5,286	\$ 7,139

Other information related to leases were as follows:

(\$ in thousands)	Six Months Ended	
	September 26, 2020	September 28, 2019
Cash paid for operating leases included in operating cash flows	\$ 6,808	\$ 6,079

	September 26, 2020
Weighted-average remaining lease term - operating leases (in years)	7.1
Weighted-average remaining discount rate - operating leases	5.7 %

Other commitments as of September 26, 2020 totaled \$206.1 million and consisted of purchases of inventory and other non-cancelable purchase obligations related to subcontractors that manufacture silicon wafers and provide assembly and some test services. The Company expects to receive and pay for these materials and services in the next three to six months, as the products meet delivery and quality specifications. Additionally, as of September 26, 2020, the Company had \$36.6 million commitments primarily related to open purchase orders from ordinary operations. These commitments expire at various dates through August 2025.

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Note 16. Product Warranty and Indemnification

The Company generally sells products with a limited warranty for product quality. The Company provides an accrual for known product issues if a loss is probable and can be reasonably estimated. As of the end of the second quarter of fiscal 2021 and the end of fiscal 2020, the accrual balances of the product warranty liability were immaterial.

The Company offers, subject to certain terms and conditions, to indemnify customers and distributors for costs and damages awarded against these parties in the event the Company's hardware products are found to infringe third-party intellectual property rights, including patents, copyrights or trademarks, and to compensate certain customers for limited specified costs they actually incur in the event the Company's hardware products experience epidemic failure. To a lesser extent, the Company may from time-to-time offer limited indemnification with respect to its software products. The terms and conditions of these indemnity obligations are limited by contract, which obligations are typically perpetual from the effective date of the agreement. The Company has historically received only a limited number of requests for indemnification under these provisions and has not made any significant payments pursuant to these provisions. The Company cannot estimate the maximum amount of potential future payments, if any, that the Company may be required to make as a result of these obligations due to the limited history of indemnification claims and the unique facts and circumstances that are likely to be involved in each particular claim and indemnification provision. However, there can be no assurances that the Company will not incur any financial liabilities in the future as a result of these obligations.

Note 17. Contingencies

Patent Litigation

On October 18, 2019, a patent infringement lawsuit was filed by Arbor Global Strategies LLC (Arbor) against the Company in the U.S. District Court in Delaware (Arbor Global Strategies LLC, v. Xilinx, Inc., Case No. 1:19-cv-01986). The lawsuit pertains to four patents and Arbor seeks unspecified damages, interest, attorneys' fees, and costs. The Company filed a motion to dismiss the case on December 19, 2019 that was denied on August 12, 2020. Discovery in the case is now open, but Arbor has not yet served its infringement contentions. A trial has been set to begin on May 23, 2022. On September 4, 2020, the Company filed four inter partes review (IPR) petitions directed at each of the four Arbor patents. The Company is unable to estimate its range of possible loss, if any, in this matter at this time.

On December 5, 2019, Analog Devices, Inc. (ADI) filed a patent infringement lawsuit against the Company in the United States District Court for the District of Delaware (Analog Devices, Inc. v. Xilinx, Inc., Case No. 1:19-cv-02225). The lawsuit pertains to eight patents and ADI seeks unspecified damages, interest, attorneys' fees, costs, and a permanent injunction. The Company filed its answer and counterclaims alleging infringement by ADI of eight patents on January 21, 2020. The Company filed amended counterclaims on April 3, 2020. The Company filed a motion to strike ADI's affirmative defense of inequitable conduct on May 8, 2020. This motion is still pending. The parties exchanged infringement contentions on August 17, 2020, and invalidity contentions on September 15, 2020. Between July 17 and September 1, 2020, the Company filed eight IPR petitions challenging the patentability of six ADI asserted patents. Between August 31 and September 15, 2020, ADI filed eight IPR petitions challenging eight Xilinx asserted patents. The parties' claims are set for back-to-back trials beginning March 14, 2022 for ADI's claims and March 28, 2022 for the Company's claims. The Company is unable to estimate its range of possible loss, if any, in this matter at this time.

On April 30, 2020, a patent infringement lawsuit was filed by FG SRC LLC (SRC) against the Company in the U.S. District Court in Delaware (FG SRC LLC v. Xilinx, Inc., Case No. 1:20-cv-00601). The lawsuit pertains to two patents and SRC seeks unspecified damages, interest, and an on-going royalty. The Company filed its answer to the complaint on June 29, 2020. On July 20, 2020, SRC filed an amended complaint. On August 3, 2020, the Company filed a motion to dismiss the amended complaint. On August 6, 2020 the Company filed a motion to stay this case in Delaware bankruptcy court in view of the pending bankruptcy of the prior owner of the patents. This motion to stay was denied on September 23, 2020. No schedule has been set in the case. The Company is unable to estimate its range of possible loss, if any, in this matter at this time.

On September 16, 2020, five patent infringement lawsuits (Case Nos. 1:20-cv-01228, 1:20-cv-01229, 1:20-cv-01231, 1:20-cv-01232 1:20-cv-01233) were filed by WSOU Investments, LLC, d/b/a Brazos Licensing and Development (WSOU Investments) in the U.S. District Court in Delaware. Each lawsuit pertains to a single patent and WSOU Investments seeks unspecified damages, interest, attorneys' fees, and costs. No schedule has been set in any of the cases. The Company is unable to estimate its range of possible loss, if any, in this matter at this time. The Company will file timely responses to the complaints that are due on November 9, 2020.

The Company intends to continue to protect and defend its IP vigorously.

[Table of Contents](#)*Other Matters*

On June 11, 2015, John P. Neblett, as Chapter 7 Trustee of Valley Forge Composite Technologies, Inc., filed a complaint against Xilinx and others in the U.S. Bankruptcy Court for the Middle District of Pennsylvania (Bankruptcy No. 1:13-bk-05253-JJT). The complaint alleges causes of actions against Xilinx for negligence and civil conspiracy relating to alleged violations of U.S. export laws. It seeks at least \$50.0 million in damages, together with punitive damages, from the defendants. On September 21, 2015, the action was withdrawn from the U.S. Bankruptcy Court for the Middle District of Pennsylvania and transferred to the U.S. District Court for the Eastern District of Kentucky. On November 2, 2015, Xilinx, along with other defendants, filed a motion to dismiss the complaint. On November 3, 2015, Xilinx filed a motion for sanctions pursuant to Federal Rule of Civil Procedure 11. On June 27, 2016, the Court denied both motions. On September 11, 2017, Xilinx, along with other defendants, filed motions for summary judgment seeking to dispose of all claims against them. On July 3, 2018, the Court granted both of Xilinx's motions for summary judgment, disposing of all claims asserted against Xilinx. On August 1, 2018, the Trustee filed a notice of appeal. On August 9, 2018, the Court of Appeals for the Sixth Circuit issued an order to show cause requesting that the appellant address a possible jurisdictional defect. On August 29, 2018, the appellant responded to the order to show cause. On September 10, 2018, appellees, including Xilinx, filed a joint reply. On January 7, 2019, the Court of Appeals issued an order dismissing the appeal for lack of jurisdiction. On February 19, 2019, the District Court issued an order permitting any party seeking to certify the case for appeal to file a motion. On March 11, 2019, defendant Avnet filed a motion to certify the case for appeal. On May 14, 2019 the Court denied Avnet's motion. On June 4, 2019, Avnet and the counterclaim and crossclaim defendants stipulated to dismissal of Avnet's remaining counterclaims and crossclaims. The Court entered final judgment on June 25, 2019. On July 22, 2019, the Trustee filed his notice of appeal and filed his opening appellate brief on September 17, 2019. On October 30, 2019, Xilinx filed its appellee brief. On November 20, 2019, the Trustee filed his reply brief. On April 7, 2020, the Sixth Circuit affirmed the District Court's judgment which granted both of Xilinx's motions for summary judgment, disposing of all claims asserted against Xilinx. On April 14, 2020, the Trustee filed a motion to extend the time for filing a petition for rehearing, and the Sixth Circuit granted the motion extending the due date until May 14, 2020. On May 14, 2020, the Trustee filed a petition for a rehearing. On August 11, 2020, the petition for a rehearing was denied.

From time to time, the Company is involved in various disputes and litigation matters that arise in the ordinary course of its business. These include disputes and lawsuits related to intellectual property, mergers and acquisitions, licensing, contract law, tax, regulatory, distribution arrangements, employee relations and other matters. Periodically, the Company reviews the status of each matter and assesses its potential financial exposure. If the potential loss from any claim or legal proceeding is considered probable and a range of possible losses can be estimated, the Company accrues a liability for the estimated loss. Legal proceedings are subject to uncertainties, and the outcomes are difficult to predict. Because of such uncertainties, accruals are based only on the best information available at the time. As additional information becomes available, the Company continues to reassess the potential liability related to pending claims and litigation and may revise estimates.

[Table of Contents](#)**Note 18. Goodwill and Acquisition-Related Intangibles**

A summary of the goodwill and acquisitions-related intangibles balances as of September 26, 2020 and March 28, 2020 was as follows:

(In thousands)	September 26, 2020	March 28, 2020	Weighted-Average Amortization Life
Goodwill	\$ 619,413	\$ 619,196	
Core technology, gross	209,131	209,131	
Less accumulated amortization	(118,400)	(105,007)	
Core technology, net	90,731	104,124	3.6 years
Other intangibles, gross	95,759	95,759	
Less accumulated amortization	(62,255)	(56,531)	
Other intangibles, net	33,504	39,228	3.7 years
In-process research and development	56,992	56,992	
Total acquisition-related intangibles, gross	361,882	361,882	
Less accumulated amortization	(180,655)	(161,538)	
Total acquisition-related intangibles, net	\$ 181,227	\$ 200,344	

Based on the carrying value of acquisition-related intangibles recorded as of September 26, 2020, and assuming no subsequent acquisition or impairment of the underlying assets, the annual amortization expense for acquisition-related intangibles is expected to be as follows:

Fiscal	(In thousands)
2021 (remaining six months)	\$ 19,095
2022	35,401
2023	33,693
2024	29,443
2025	6,603
Total	\$ 124,235

In-process research and development is not subject to amortization prior to the completion of the projects and therefore the balance is excluded from the above annual amortization expense schedule.

Note 19. Segment Information

Xilinx designs, develops and markets programmable logic semiconductor devices and the related software design tools. The Company operates and tracks its results in one operating segment. Xilinx sells its products to OEMs and to electronic components distributors who resell these products to OEMs or subcontract manufacturers. Net revenues by geography for the periods indicated were as follows:

(In thousands)	Three Months Ended		Six Months Ended	
	September 26, 2020	September 28, 2019	September 26, 2020	September 28, 2019
North America	\$ 223,781	\$ 233,576	\$ 410,075	\$ 432,407
Asia Pacific	365,898	422,891	758,930	854,072
Europe	136,109	123,845	228,860	277,133
Japan	40,747	53,054	95,343	119,386
Total net revenues	<u>\$ 766,535</u>	<u>\$ 833,366</u>	<u>\$ 1,493,208</u>	<u>\$ 1,682,998</u>

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Geographic revenue information for the second quarter and the first six months of fiscal 2021 and 2020 reflects the geographic location of the distributors or OEMs who purchased the Company's products. This may differ from the geographic location of the end customers.

The Company's end market revenue data is derived from the understanding of end customers' primary markets, which is based on reports provided by distributors and the Company's internal records. The Company classifies end markets into businesses with similar market drivers: Aerospace & Defense, Industrial and Test, Measurement & Emulation (AIT); Automotive, Broadcast & Consumer; Wired & Wireless; and Data Center. Additionally, revenue recognized from shipments to distributors but not yet subsequently sold to the end markets is classified as Channel Revenue. The Channel Revenue represents the difference between the shipments to distributors and what the distributors subsequently sold to the end customers within the same period. Channel Revenues for the second quarter and the first six months of fiscal 2021 and 2020 were less than 1%.

(% of total net revenues)	Three Months Ended		Six Months Ended	
	September 26, 2020	September 28, 2019	September 26, 2020	September 28, 2019
AIT	44 %	36 %	44 %	38 %
Automotive, Broadcast and Consumer	16	16	14	15
Wired and Wireless	26	38	29	40
Data Center	14	10	13	7
Total net revenues	100 %	100 %	100 %	100 %

Note 20. Subsequent Events

On October 17, 2020, the Board declared a cash dividend of \$0.38 per common share for the second quarter of fiscal 2021. The dividend is payable on December 2, 2020 to stockholders of record on November 11, 2020.

[Table of Contents](#)**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations****Impact of COVID-19**

The social and economic impact of the COVID-19 outbreak has continued to increase exponentially since it was declared a pandemic by the World Health Organization in March 2020. The governmental authorities throughout the U.S. and the world have continued to implement numerous measures to contain the virus, including travel bans and restrictions, quarantines, shelter-in-place orders, and business limitations and shutdowns. While COVID-19 did not have a significant impact on our financial results in the second quarter and the first six months of fiscal 2021, it is difficult to accurately predict the full impact that COVID-19 will have on our future results from operations, financial condition, liquidity and cash flows due to numerous uncertainties, including the duration and severity of the pandemic and related containment measures. Our compliance with these measures has impacted, and could continue to impact, our business and operations, as well as those of our key customers, suppliers (including contract manufacturers) and other counterparties, for an indefinite period of time. During this unprecedented time, our priority has been to support our employees, customers, partners and communities, while positioning Xilinx for the future. For example, almost all of our employees have been working remotely since March 16, 2020. In addition, employees of many of our customers are also working remotely, which may delay the timing of some orders and deliveries expected in fiscal 2021.

As we continue to experience uncertainties and disruptions caused by COVID-19, it remains uncertain when we would eventually resume some degree of normalcy. Therefore, our business may in the future be adversely impacted as a result of the pandemic's global economic impact. For example, the continuing impacts of COVID-19 could further reduce customer demand in some of our end markets, including Automotive, Broadcast & Consumer. We will continue to closely monitor the pandemic's associated effects, such as our ability to collect receivables from those customers significantly impacted by COVID-19 related closures and disruptions, as well as changes in orders in a given period likely to affect our revenues in future periods, particularly if experienced on a sustained basis.

We currently expect that current cash and cash equivalent balances and cash flows that are generated from operations will be sufficient to meet our domestic and international working capital needs and other capital and liquidity requirements in the foreseeable future.

Critical Accounting Policies and Estimates

The methods, estimates and judgments we use in applying our most critical accounting policies have a significant impact on the results we report in our condensed consolidated financial statements. The SEC has defined critical accounting policies as those that are most important to the portrayal of our financial condition and results of operations and require us to make our most difficult and subjective judgments, often as a result of the need to make estimates of matters that are inherently uncertain. Based on this definition, our critical accounting policies include: valuation of marketable securities, which impacts losses on debt and equity securities when we record impairments; revenue recognition, which impacts the recording of revenues; and valuation of inventories, which impacts cost of revenues and gross margin. Our critical accounting policies also include: the assessment of impairment of long-lived assets, which impacts their valuation; the assessment of the recoverability of goodwill, which impacts goodwill impairment; accounting for income taxes, which impacts the provision or benefit recognized for income taxes, as well as the valuation of deferred tax assets recorded on our condensed consolidated balance sheet; and accounting for business combinations, which impacts the valuation of tangible and intangible assets recognized and liabilities assumed. For additional discussion, please refer to the information under the caption "Critical Accounting Policies and Estimates" in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" included in our Form 10-K for the year ended March 28, 2020 filed with the SEC, and to "Note 2. Recent Accounting Changes and Accounting Pronouncements" to our condensed consolidated financial statements, included in Part I. "Financial Information." We also have other key accounting policies that are not as subjective, and therefore, their application would not require us to make estimates or judgments that are as difficult, but which nevertheless could significantly affect our financial reporting.

Due to the ongoing COVID-19 pandemic, there has been uncertainty and disruption in the global economy and financial markets. We have considered the potential impact of the COVID-19 pandemic on the business operations, recognizing that there is substantial uncertainty in the nature and degree of COVID-19's continued effects over time. While we are not currently aware of any specific event or circumstance that would require an update to our estimates or judgments or a revision of the carrying value of our assets or liabilities as of September 26, 2020, these estimates may change as additional events occur and information is obtained. Actual results could differ materially from these estimates under different assumptions or conditions.

Results of Operations: second quarter and first six months of fiscal 2021 compared to the second quarter and first six months of fiscal 2020

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The following table sets forth statement of income data as a percentage of net revenues for the periods indicated:

	Three Months Ended		Six Months Ended	
	September 26, 2020	September 28, 2019	September 26, 2020	September 28, 2019
Net revenues	100.0 %	100.0 %	100.0 %	100.0 %
Cost of revenues:				
Cost of products sold	28.4	34.5	29.7	33.9
Amortization of acquisition-related intangibles	0.9	0.7	0.9	0.6
Total cost of revenues	29.3	35.2	30.6	34.5
Gross margin	70.7	64.8	69.4	65.5
Operating expenses:				
Research and development	28.7	26.7	28.8	25.4
Selling, general and administrative	14.8	13.4	14.7	13.0
Amortization of acquisition-related intangibles	0.4	0.3	0.4	0.1
Total operating expenses	43.9	40.4	43.9	38.5
Operating income	26.8	24.4	25.5	27.0
Interest and other income (expense), net	(1.4)	1.5	(1.5)	1.4
Income before income taxes	25.4	25.9	24.0	28.4
Provision (benefit) for income taxes	0.1	(1.3)	4.7	0.6
Net income	25.3 %	27.2 %	19.3 %	27.8 %

Net Revenues

We sell our products to global manufacturers of electronic products in various end markets. The vast majority of our net revenues is generated by sales of our semiconductor products, but we also generate sales from support products. We classify our product offerings into two categories: Advanced Products and Core Products:

- Advanced Products include our most recent product offerings and consist of the UltraScale+, UltraScale and 7-series product families and our Alveo boards products.
- Core Products consist of all other product families.

These product categories are modified on a periodic basis to better reflect the maturity of the products and advances in technology. The most recent modification was made on April 3, 2016, which was the beginning of our fiscal 2017, whereby we reclassified our product categories to be consistent with how these categories are analyzed and reviewed internally. Specifically, we are grouping the products manufactured at the 28 nanometer (nm), 20nm and 16nm nodes into the Advanced Products category while all other products are grouped in the Core Products category.

Except for Avnet, no other distributor or end customer accounted for more than 10% of the Company's worldwide net revenues for the second quarter and the first six months of fiscal 2021. No other distributor accounted for more than 10% of the Company's worldwide net revenues for the second quarter and the first six months of fiscal 2020. One end customer accounted for 12% and 10% of the Company's worldwide net revenues for the second quarter and the first six months of fiscal 2020, respectively.

Net Revenues by Product

Net revenues by product categories for the second quarter and the first six months of fiscal 2021 and 2020 were as follows:

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(In millions)	Three Months Ended			Six Months Ended		
	September 26, 2020	% Change	September 28, 2019	September 26, 2020	% Change	September 28, 2019
Advanced Products	\$ 537.4	(13)	\$ 617.7	\$ 1,033.0	(14)	\$ 1,204.5
Core Products	229.1	6	215.7	460.2	(4)	478.5
Total net revenues	<u>\$ 766.5</u>	<u>(8)</u>	<u>\$ 833.4</u>	<u>\$ 1,493.2</u>	<u>(11)</u>	<u>\$ 1,683.0</u>

Net revenues from Advanced Products decreased in the second quarter and the first six months of fiscal 2021 compared to the comparable prior year periods. The decreases were primarily due to lower sales from our Wireless business.

Net revenues from Core Products increased in the second quarter but decreased in the first six months of fiscal 2021 from the comparable prior year periods. The increase in the second quarter of fiscal 2021 was a result of higher sale in Virtex2 Pro products. The decrease in the first six months of fiscal 2021 was largely due to lower sales from our Spartan-6 and Virtex-4 product families. Core Products are relatively mature products and, as a result, sales are expected to decline over time.

Net Revenues by End Markets

Our end market revenue data is derived from our understanding of our end customers' primary markets, which is based on reports provided by distributors and our internal records. To provide additional visibility, starting April 1, 2019, we classify our end markets into businesses with similar market drivers: (i) Aerospace & Defense, Industrial and Test, Measurement & Emulation (AIT); (ii) Automotive, Broadcast & Consumer; (iii) Wired & Wireless; and (iv) Data Center. Additionally, we classify revenue recognized from shipments to distributors but not yet subsequently sold to the end markets as Channel Revenue. The Channel Revenue represents the difference between the shipments to distributors and what the distributors subsequently sold to the end customers within the same period. The percentage change calculation in the table below represents the year-to-year dollar change in each end market. Channel Revenues for the second quarter and the first six months of fiscal 2021 and 2020 were less than 1%.

Net revenues by end markets for the second quarter and the first six months of fiscal 2021 and 2020 were as follows:

(% of total net revenues)	Three Months Ended			Six Months Ended		
	September 26, 2020	% Change in Dollars	September 28, 2019	September 26, 2020	% Change in Dollars	September 28, 2019
AIT	44 %	11	36 %	44 %	4	38 %
Automotive, Broadcast and Consumer	16	(8)	16	14	(18)	15
Wired and Wireless	26	(36)	38	29	(35)	40
Data Center	14	30	10	13	56	7
Total net revenues	<u>100 %</u>	<u>(8)</u>	<u>100 %</u>	<u>100 %</u>	<u>(11)</u>	<u>100 %</u>

Net revenues from AIT increased, in terms of absolute dollar, in the second quarter and the first six months of fiscal 2021 from the comparable prior year periods. The increases were primarily due to higher sales from Measurement & Emulation business.

Net revenues from Automotive, Broadcast and Consumer decreased, in terms of absolute dollar, in the second quarter and the first six months of fiscal 2021 from the comparable prior year periods. The decreases were primarily due to lower sales from Automotive business, and to a lesser extent, lower sales from Audio, Video and Broadcast business. In addition, the ongoing COVID-19 pandemic and related challenges and uncertainties may adversely affect our net revenue from Automotive business in the future.

Net revenues from Wired and Wireless decreased in the second quarter and the first six months of fiscal 2021 from the comparable prior year periods. The decreases were primarily due to lower sales from Wireless business with an industry-wide slowdown in the ramp of 5G.

Net revenues from Data Center increased in the second quarter and the first six months of fiscal 2021 from the comparable prior year periods. The increases were driven primarily by higher sales from Networking and Compute applications.

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Net Revenues by Geography

Geographic revenue information reflects the geographic location of the distributors, original equipment manufacturers (OEMs) or contract manufacturers who purchased our products. This may differ from the geographic location of the end customers. Net revenues by geography for the second quarter and the first six months of fiscal 2021 and 2020 were as follows:

(In millions)	Three Months Ended			Six Months Ended		
	September 26, 2020	% Change	September 28, 2019	September 26, 2020	% Change	September 28, 2019
North America	\$ 223.8	(4)	\$ 233.6	\$ 410.1	(5)	\$ 432.4
Asia Pacific	365.9	(13)	422.9	758.9	(11)	854.1
Europe	136.1	10	123.8	228.9	(17)	277.1
Japan	40.7	(23)	53.1	95.3	(20)	119.4
Total net revenues	<u>\$ 766.5</u>	<u>(8)</u>	<u>\$ 833.4</u>	<u>\$ 1,493.2</u>	<u>(11)</u>	<u>\$ 1,683.0</u>

Net revenues in North America decreased in the second quarter and the first six months of fiscal 2021 from the comparable prior year periods. The decrease for the second quarter of fiscal 2021 was primarily due to lower sales from Wireless and Industrial, Scientific and Medical businesses. The decrease for the first six months of fiscal 2021 was primarily due to lower sales from Test, Measurement and Emulation and Wired businesses.

Net revenues in Asia Pacific decreased in the second quarter and the first six months of fiscal 2021 from the comparable prior year periods. The decreases were primarily due to lower sales from Wireless business with an industry-wide slowdown in the ramp of 5G wireless networks.

Net revenues in Europe increased in the second quarter but decreased in the first six months of fiscal 2021 from the comparable prior year periods. The increase for the second quarter of fiscal 2021 was primarily due to higher sales from Test, Measurement & Emulation businesses. The decrease for the first six months of fiscal 2021 was primarily due to lower sales from Automotive and Wireless businesses.

Net revenues in Japan decreased in the second quarter and the first six months of fiscal 2021 from the comparable prior year periods. The decreases were primarily due to lower sales from Automotive business.

Gross Margin

(In millions)	Three Months Ended			Six Months Ended		
	September 26, 2020	Change	September 28, 2019	September 26, 2020	Change	September 28, 2019
Gross margin	\$ 541.7	— %	\$ 540.3	\$ 1,035.6	(6)%	\$ 1,103.1
Percentage of net revenues	70.7 %		64.8 %	69.4 %		65.5 %

Gross margin was higher in both the second quarter and the first six months of fiscal 2021 from the comparable prior year periods. The increase for the second quarter of fiscal 2021 was driven primarily by favorable changes in the end market mix, as the percentage of revenue derived from Test, Measurement and Emulation and Data Center businesses increased, while revenue from Wireless business, which has relatively lower gross margin, decreased. The increase for the first six months of fiscal 2021 was also driven primarily by favorable changes in the end market mix, as the percentage of revenue derived from Data Center business increased and revenue from Wireless business decreased. For the first six months of fiscal 2021, higher gross margin was partially offset by increased amortization of acquisition-related intangibles.

Gross margin may be affected in the future due to multiple factors, including but not limited to those set forth in Item 1A. "Risk Factors," included in Part II of this Form 10-Q, shifts in the mix of customers and products, the COVID-19 pandemic, competitive-pricing pressure, manufacturing-yield issues and wafer pricing. We expect to mitigate any adverse impacts from these factors by continuing to improve yields on our Advanced Products, manufacturing efficiencies, and average selling price management. However, continuing growth in wireless business driven by the global deployment ramp of 5G wireless networks would negatively impact gross margin in the future.

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Price erosion is common in the semiconductor industry, due to advances in product architecture and greater integration of functions that historically has been driven by process technology but increasingly will depend on other means of integration like advanced packaging. In order to compete effectively, we strive to strike a balance between manufacturing cost and price structure to maintain acceptable margins. We historically have been able to offset much of such revenue decline in our mature products with increased revenue from newer products.

Research and Development

(In millions)	Three Months Ended			Six Months Ended		
	September 26, 2020	Change	September 28, 2019	September 26, 2020	Change	September 28, 2019
Research and development	\$ 219.6	(2)%	\$ 223.0	\$ 429.8	1 %	\$ 427.1
Percentage of net revenues	29 %		27 %	29 %		25 %

R&D spending decreased by \$3.4 million, or 2%, for the second quarter of fiscal 2021 from the comparable prior year period. The decrease was primarily due to decrease in headcount and employee compensation. R&D spending increased by \$2.7 million, or 1%, for the six months of fiscal 2021 from the comparable prior year period. The increase was primarily attributable to increase in headcount and employee compensation (including stock-based compensation), partially offset by lower mask spending.

We plan to continue to selectively invest in R&D efforts in areas such as new products and more advanced process development, IP cores and software development environments. We may also consider acquisitions to complement our strategy for technology leadership and engineering resources in critical areas.

Selling, General and Administrative

(In millions)	Three Months Ended			Six Months Ended		
	September 26, 2020	Change	September 28, 2019	September 26, 2020	Change	September 28, 2019
Selling, general and administrative	\$ 113.8	2 %	\$ 111.6	\$ 219.2	— %	\$ 219.0
Percentage of net revenues	15 %		13 %	15 %		13 %

Selling, general and administrative expenses increased by \$2.2 million for the second quarter while remained flat for the first six months of fiscal 2021 from the comparable prior year periods. The increase for the second quarter of fiscal 2021 was primarily attributable to increase in corporate spending. The increase was partially offset by savings in lower travel spending due to COVID-19 travel bans and restrictions.

Stock-Based Compensation

(In millions)	Three Months Ended			Six Months Ended		
	September 26, 2020	Change	September 28, 2019	September 26, 2020	Change	September 28, 2019
Stock-based compensation included in:						
Cost of revenues	\$ 3.0	5 %	\$ 2.8	\$ 5.7	5 %	\$ 5.4
Research and development	36.1	22 %	29.7	66.4	22 %	54.6
Selling, general and administrative	19.3	12 %	17.3	36.7	13 %	32.6
	<u>\$ 58.4</u>	<u>17 %</u>	<u>\$ 49.8</u>	<u>\$ 108.8</u>	<u>18 %</u>	<u>\$ 92.6</u>

The stock-based compensation expense increased by 17% for the second quarter and by 18% for the first six months of fiscal 2021 as compared to the prior year periods. The increases were primarily related to higher expenses associated with RSUs to remain

competitive in compensation, as we granted RSUs at a higher fair value than in the prior years.

Interest and Other Income (Expense), Net

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(In millions)	Three Months Ended			Six Months Ended		
	September 26, 2020	Change	September 28, 2019	September 26, 2020	Change	September 28, 2019
Interest and other income (expense), net	\$ (10.8)	(187)%	\$ 12.3	\$ (22.9)	(196)%	\$ 23.9
Percentage of net revenues	(1)%		2 %	(2)%		1 %

Interest and other income (expense) was a net expense of \$10.8 million in the second quarter of fiscal 2021, as compared to a net other income of \$12.3 million in the same prior year period. For the first six months of fiscal 2021, interest and other income (expense) was a net expense of \$22.9 million compared to a net other income of \$23.9 million in the same prior year period. The decreases were primarily due to lower interest income from the investment portfolio and less gain from sale of investments.

Provision (Benefit) for Income Taxes

(In millions)	Three Months Ended			Six Months Ended		
	September 26, 2020	Change	September 28, 2019	September 26, 2020	Change	September 28, 2019
Provision (benefit) for income taxes	\$ 0.8	107 %	\$ (11.1)	\$ 70.4	608 %	\$ 9.9
Percentage of net revenues	0.1 %		(1.3)%	4.7 %		0.6 %
Effective tax rate	0.4 %		(5.2)%	19.7 %		2.1 %

The increase in the effective tax rate in the second quarter of fiscal 2021 as compared to the same prior year period was primarily due to a decrease in excess tax benefits with respect to stock-based compensation recognized in the current period. The increase in the effective tax rate in the first six months fiscal 2021 as compared to the same prior year period was primarily due to the recognition of prior and current year detrimental impacts of including stock-based compensation in the intercompany R&D cost sharing arrangement as a result of a decision in the Altera tax case.

The difference between the U.S. federal statutory tax rate of 21% and our effective tax rate in the second quarter of fiscal 2021 was primarily due to the beneficial impact of income earned in lower tax rate jurisdictions and excess tax benefits with respect to stock-based compensation, which was partially offset by tax on GILTI. The difference between the U.S. federal statutory tax rate of 21% and our effective tax rate in the first six months of fiscal 2021 was primarily due to the beneficial impact of income earned in lower tax rate jurisdictions and excess tax benefits with respect to stock-based compensation, which was partially offset by tax on GILTI and the recognition of prior and current year detrimental impacts of including stock-based compensation in the intercompany R&D cost sharing arrangement.

The difference between the U.S. federal statutory tax rate of 21% and our effective tax rate in the second quarter and the first six months of fiscal 2020 was primarily due to the beneficial impact of income earned in lower tax rate jurisdictions and excess tax benefits with respect to stock-based compensation, which was partially offset by tax on GILTI.

On June 22, 2020, the United States Supreme Court denied *certiorari* in the Altera tax case. Xilinx is not a party to the proceedings but is subject to the findings of the case. The Altera tax case concerns related party R&D cost sharing arrangements and whether stock-based compensation should be included in the pool of costs to be shared. With the Supreme Court's decision not to hear the Altera case, the decision of the 9th Circuit (which applies to taxpayers such as Xilinx) that stock-based compensation is to be included in the pool of costs to be shared remains in place. During the fiscal quarter ended June 27, 2020, we recorded a one-time charge of \$56.8 million for prior year taxes and interest representing the cumulative adverse impact for fiscal 2017 through fiscal 2020. Despite the decision in the Altera case, we have concluded the related law remains unsettled and we will continue to monitor developments and the potential effect on our consolidated financial statements and tax filings.

[Table of Contents](#)**Financial Condition, Liquidity and Capital Resources**

We have historically used a combination of cash flows from operations and equity, as well as debt financing to support ongoing business activities, acquire or invest in critical or complementary technologies, purchase facilities and capital equipment, repurchase our common stock and debentures under our repurchase program, pay dividends and finance working capital. Additionally, our investments in debt securities are liquid and available for future business needs.

To date, COVID-19 has not had a significant impact on our liquidity, cash flows or capital resources. However, the ongoing COVID-19 pandemic and the resulting disruption and volatility in the global capital markets may continue, which, depending on future developments, could impact our capital resources and liquidity in the future.

As of September 26, 2020, we had cash, cash equivalents and short-term investments of \$3.10 billion and working capital of \$2.72 billion. As of March 28, 2020, cash, cash equivalents and short-term investments were \$2.27 billion and working capital was \$1.82 billion.

As of September 26, 2020, we had \$714.9 million of cash and cash equivalents and short-term investments held in our non-U.S. jurisdictions. Substantially all \$714.9 million of cash, cash equivalents and short-term investments held by our non-U.S. entities is available for use in the U.S. without incurring additional U.S. federal income taxes.

Operating Activities —During the first six months of fiscal 2021, our operations generated net positive cash flow of \$493.1 million, which was \$28.8 million lower than the \$521.9 million generated during the first six months of fiscal 2020. The positive cash flow from operations generated during the first six months of fiscal 2021 was primarily from net income as adjusted for non-cash related items, increases in accrued liabilities and income tax payable and a decrease in inventories. These items were partially offset by increases in accounts receivables and other assets. Accounts receivable increased by \$89.5 million and days sales outstanding increased to 44 days at September 26, 2020 from 31 days at March 28, 2020. The increase was primarily due to timing of shipment and collection. We had no collectability issues and our accounts receivable remained current as of September 26, 2020. Our inventory levels as of September 26, 2020 were \$22.3 million lower at \$282.0 million compared to \$304.3 million at March 28, 2020, but the inventory days increased to 112 days at September 26, 2020 from 106 days at March 28, 2020.

Investing Activities —Net cash used in investing activities was \$1.55 billion during the first six months of fiscal 2021, as compared to \$263.9 million net cash provided during the first six months of fiscal 2020. Net cash used in investing activities during the first six months of fiscal 2021 consisted primarily of \$1.51 billion purchases of available-for-sale securities net of proceeds from sale and maturity of available-for-sale securities, \$30.8 million for purchases of property, plant and equipment and software and \$12.2 million for other investing activities.

Financing Activities —Net cash provided by financing activities was \$454.6 million in the first six months of fiscal 2021, as compared to \$726.5 million of net cash used in the first six months of fiscal 2020. Net cash provided by financing activities during the first six months of fiscal 2021 consisted primarily of \$744.4 million proceeds from issuance of the 2030 Notes, which was partially offset by \$53.7 million of cash payment to repurchase shares of common stock, \$185.5 million of dividend payment to stockholders, \$17.3 million payment related to other financing activities and \$53.4 million of payment for RSU withholdings.

Contractual Obligations

We lease some of our facilities, office buildings and land under non-cancelable operating leases that expire at various dates through August 2029. See "Note 15. Commitments" to our condensed consolidated financial statements, included in Part I. "Financial Information," for a schedule of our operating lease commitments as of September 26, 2020 and additional information about operating leases.

Due to the nature of our business, we depend entirely upon subcontractors to manufacture our silicon wafers and provide assembly and some test services. The lengthy subcontractor lead times require us to order the materials and services in advance, and we are obligated to pay for the materials and services when completed. As of September 26, 2020, we had \$206.1 million of outstanding inventory and other non-cancelable purchase obligations to subcontractors. We expect to receive and pay for these materials and services in the next three to six months, as the products meet delivery and quality specifications. As of September 26, 2020, we had \$36.6 million commitments primarily related to open purchase orders from ordinary operations. These commitments expire at various dates through August 2025.

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As of September 26, 2020, we had \$470.4 million of liabilities classified as long-term income taxes payable in the condensed consolidated balance sheets. Of the \$470.4 million, \$363.9 million was the estimated remaining long-term portion of the one-time transition tax that resulted from the enactment of the Tax Cuts and Jobs Act (TCJA), which will be payable in five annual installments. The residual balance of \$106.5 million in the long-term income taxes payable is for uncertain tax positions and related interest and penalties. Due to the inherent uncertainty with respect to the timing of future cash outflows associated with such liabilities, we are unable to reliably estimate the timing of cash settlement with the respective taxing authorities.

Off-Balance-Sheet Arrangements

As of September 26, 2020, we did not have any significant off-balance-sheet arrangements, as defined in Item 303(a)(4)(ii) of SEC Regulation S-K.

Liquidity and Capital Resources

Cash generated from operations is used as our primary source of liquidity and capital resources. Our investment portfolio is also available for future cash requirements as is our \$400.0 million revolving credit facility entered into in December 2016 (expiring in December 2021). We are not aware of any lack of access to the revolving credit facility; however, we can provide no assurance that access to the revolving credit facility will not be impacted by adverse conditions in the financial markets. Our revolving credit facility is not reliant upon a single bank. There have been no borrowings to date under our existing revolving credit facility.

During the first six months of fiscal 2021, we repurchased 0.7 million shares of common stock in the open market for a total of \$53.7 million. During the first six months of fiscal 2020, we repurchased 2.7 million shares of common stock for a total of \$277.2 million. Additionally, we repurchased 1.7 million shares for a total of \$200.0 million by entering into a stock repurchase agreement with an independent financial institution.

During the first six months of fiscal 2021, we paid \$185.5 million in cash dividends to stockholders, representing \$0.38 per common share. During the first six months of fiscal 2020, we paid \$187.4 million in cash dividends to stockholders, representing \$0.37 per common share. On October 17, 2020, our Board of Directors declared a cash dividend of \$0.38 per common share for the second quarter of fiscal 2021. The dividend is payable on December 2, 2020 to stockholders of record on November 11, 2020. Our common stock and debentures repurchase program and dividend policy could be impacted by, among other items, our views on potential future capital requirements relating to R&D, investments and acquisitions, legal risks, principal and interest payments on our debentures and other strategic investments. During the first six months of fiscal 2021, we issued \$750 million debt, which further strengthens our liquidity and capital resources.

We anticipate that existing sources of liquidity and cash flows from operations will be sufficient to satisfy our cash needs for the foreseeable future. We will continue to evaluate opportunities for investments to obtain additional wafer capacity, to procure additional capital equipment and facilities, to develop new products, and to potentially acquire technologies or businesses that could complement our business. However, certain risks and other factors, including those discussed in Item 1A included in Part II. "Risk Factors" and below, could affect our cash positions adversely.

Item 3. Quantitative and Qualitative Disclosures About Market Risk**Interest Rate Risk**

Our exposure to interest rate risk relates to certain types of investments, which consist of fixed income securities with a fair value of approximately \$2.57 billion as of September 26, 2020. The fixed income investments include mortgage-backed securities, asset-backed securities, financial institution securities, non-financial institution securities, U.S. and foreign government and agency securities and commercial mortgage-backed securities. Our primary aim with our investment portfolio is to invest available cash while preserving principal and meeting liquidity needs. In accordance with our investment policy, we place investments with high credit quality issuers and limit the amount of credit exposure to any one issuer based upon the issuer's credit rating. These securities are subject to interest rate risk and will decrease in value if market interest rates increase. A hypothetical 100 basis-point (one percentage point) increase or decrease in interest rates compared to rates at September 26, 2020 would have affected the fair value of our investment portfolio by less than \$8.5 million.

Credit Market Risk

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The global credit markets may experience adverse conditions that negatively impact the values of various types of investment and non-investment grade securities. The global credit and capital markets may experience significant volatility and disruption due to instability in the global financial system, uncertainty related to global economic conditions and concerns regarding sovereign financial stability. Therefore, there is a risk that we may incur impairment charges for certain types of investments should credit market conditions deteriorate. See "Note 5. Financial Instruments" to our condensed consolidated financial statements, included in Part 1. "Financial Information."

Foreign Currency Exchange Risk

Sales to all direct OEMs and distributors are denominated in U.S. dollars.

Gains and losses on foreign currency forward contracts that are designated as hedges of anticipated transactions, for which a firm commitment has been attained and the hedged relationship has been effective, are deferred and included in income or expenses in the same period that the underlying transaction is settled. Gains and losses on any instruments not meeting the above criteria are recognized in income or expenses in the condensed consolidated statements of income as they are incurred.

We enter into forward currency exchange contracts to hedge our overseas operating expenses and other liabilities when deemed appropriate. As of September 26, 2020 and March 28, 2020, we had the following outstanding forward currency exchange contracts (in notional amount):

(In millions and U.S. dollars)	September 26, 2020	March 28, 2020
Singapore Dollar	\$ 28.3	\$ 28.9
Euro	27.5	33.5
Indian Rupee	98.5	76.0
British Pound	21.2	20.2
Japanese Yen	0.6	2.4
Chinese Yuan	31.8	26.3
	<u>\$ 207.9</u>	<u>\$ 187.3</u>

As part of our strategy to reduce volatility of operating expenses due to foreign exchange rate fluctuations, we employ a hedging program with forward outlook of up to two years for major foreign-currency-denominated operating expenses. The outstanding forward currency exchange contracts expire at various dates through August 2022. The net unrealized gains, which approximate the fair market value of the forward currency exchange contracts, are expected to be realized into net income within the next two years.

Our investments in several of our wholly-owned subsidiaries are recorded in currencies other than the U.S. dollar. As the financial statements of these subsidiaries are translated at each quarter end during consolidation, fluctuations of exchange rates between the foreign currency and the U.S. dollar increase or decrease the value of those investments. These fluctuations are recorded within stockholders' equity as a component of accumulated other comprehensive income (loss). Other monetary foreign-denominated assets and liabilities are revalued on a monthly basis with gains and losses on revaluation reflected in net income. A hypothetical 10% favorable or unfavorable change in foreign currency exchange rates at September 26, 2020 would have affected the annualized foreign-currency-denominated operating expenses of our foreign subsidiaries by less than \$16.0 million. In addition, a hypothetical 10% favorable or unfavorable change in foreign currency exchange rates compared to rates at September 26, 2020 would have affected the value of foreign-currency-denominated cash and investments by less than \$16.0 million.

[Table of Contents](#)**Item 4. Controls and Procedures**

We maintain a system of disclosure controls and procedures designed to ensure that information required to be disclosed in our reports filed or submitted under the U.S. Securities Exchange Act of 1934, as amended (Exchange Act), is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms. These controls and procedures are also designed to ensure that such information is accumulated and communicated to our management, including the Chief Executive Officer (CEO) and Chief Financial Officer (CFO), as appropriate to allow timely decisions regarding required disclosure. Internal controls are procedures designed to provide reasonable assurance that: transactions are properly authorized; assets are safeguarded against unauthorized or improper use; and transactions are properly recorded and reported, to permit the preparation of our financial statements in conformity with generally accepted accounting principles.

A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple errors or mistakes. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with its policies or procedures. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected. We continuously evaluate our internal controls and make changes to improve them as necessary. Our intent is to maintain our disclosure controls as dynamic systems that change as conditions warrant.

An evaluation was carried out, under the supervision of and with the participation of our management, including our CEO and CFO, of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this report. Based upon this evaluation, our CEO and CFO have concluded that, as of the end of the period covered by this Form 10-Q, our disclosure controls and procedures are effective to provide reasonable assurance that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms, and is accumulated and communicated to our management, including our CEO and CFO, as appropriate to allow timely decisions regarding required disclosure.

There were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fiscal quarter ended September 26, 2020 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting, despite the fact that virtually all of our employees have been working remotely due to the COVID-19 pandemic since March 2020. We are continually monitoring and assessing the pandemic's development to minimize its impact on the effectiveness of our internal controls.

[Table of Contents](#)**PART II. OTHER INFORMATION****Item 1. Legal Proceedings**

See "Note 17. Contingencies" to our condensed consolidated financial statements, included in Item 1. "Financial Statements" for information regarding patent litigation.

Item 1A. Risk Factors

The following risk factors and other information included in this Quarterly Report on Form 10-Q should be carefully considered. The risks and uncertainties described below are not the only risks to the Company. Our business operations or financial condition could be impaired by risks and uncertainties not presently known to the Company, or that the Company's management does not currently consider material. If any of the risks described below were to occur, our business, financial condition, operating results and cash flows could be materially adversely affected.

The ongoing COVID-19 pandemic could have a material adverse effect on our business, financial condition and results of operations.

The ongoing COVID-19 pandemic has led to severe disruptions in the market and the global and U.S. economies that may continue for a prolonged duration. In response, various governmental bodies and private enterprises have implemented and continue to impose numerous measures to limit the spread of the virus, such as travel bans and restrictions, quarantines, shelter-in-place orders, and factory and office shutdowns. These measures and other public and private responses to the pandemic have impacted, and may further impact, our workforce and operations, and those of our customers, partners, vendors and suppliers.

The manufacture of product components, the final assembly of our products and other critical operations are concentrated in certain geographic locations, including the U.S., Singapore, South Korea, and Taiwan. Each of these countries has been affected by the pandemic and has taken measures to limit the spread, and there is considerable uncertainty regarding the impact and duration of such measures and potential future measures. Restrictions on our access to our manufacturing facilities or on our support operations or workforce, similar limitations for our vendors and suppliers, and disruptions of transportation, such as reduced availability of air transport, port closures and increased border controls or closures, could limit our capacity to meet customer demand.

Due to the spread of COVID-19, we have modified our business practices, including employee travel restrictions, employee work locations, and cancellation of physical participation in non-critical meetings, events and conferences pursuant to applicable government guidelines and mandates. There is no certainty that such measures will be sufficient to mitigate the risks posed by COVID-19, which could adversely impact our ability to perform critical functions, such as the research and development of new products, the manufacture of product components, the final assembly of our products, and the distribution and sale of our products.

The COVID-19 pandemic and the efforts to control it have slowed economic activity and may trigger a recession or a prolonged period of economic slowdown, particularly if the pandemic becomes more severe or continues for an extended period of time. Customer demand may be reduced to the extent customers experience shortages of other necessary materials and are forced to slow production of their end products (with a corresponding decline in the rate at which they purchase materials from us), or to the extent our customers experience reduced consumer demand for their end-products as consumers curtail purchases.

The full extent and nature of the impact of the COVID-19 pandemic and related containment measures on our business and financial performance are highly uncertain, as the situation continues to evolve. An extended period of disruption to global supply chain and economic activities due to the pandemic, as well as other factors that are currently unforeseeable, could have a material adverse impact on our ability to access sources of liquidity, as well as our financial condition and results of operations. A prolonged impact of the pandemic also could heighten many of the other risks, such as those relating to disruptions on our operations and our reliance on customers and other third parties, described in this Quarterly Report on Form 10-Q.

Our success depends on our ability to develop and introduce new products and our failure to do so would have a material adverse impact on our financial condition and results of operations.

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Our success depends in large part on our ability to develop and introduce new products that address customer requirements and compete effectively on the basis of price, density, functionality, power consumption and performance. Consolidation in our industry may increasingly result in our competitors having greater resources, or other synergies, that provide them with a competitive advantage in those regards. The success of new product introductions is dependent upon several factors, including:

- timely completion of new product designs;
- ability to generate new design opportunities and design wins;
- availability of specialized field application engineering resources supporting demand creation and customer adoption of new products;
- ability to utilize advanced manufacturing process technologies on circuit geometries of 28nm and smaller;
- achieving acceptable yields;
- ability to obtain adequate production capacity from our wafer foundries and assembly and test subcontractors;
- ability to obtain advanced packaging;
- availability and completeness of supporting software design tools;
- utilization of predefined IP logic;
- customer acceptance of advanced features in our new products;
- ability of our customers to complete their product designs and bring them to market; and
- market acceptance of our customers' products.

Our product development efforts may not be successful, our new products may not achieve industry acceptance, or we may not achieve the necessary volume of production that would lead to further per unit cost reductions. Revenues relating to our mature products are expected to decline in the future, which is normal for our product life cycles. As a result, we may become increasingly dependent on revenues derived from design wins for our newer products as well as anticipated cost reductions in the manufacture of our current products. We rely primarily on obtaining yield improvements and corresponding cost reductions in the manufacture of existing products, and on introducing new products that incorporate advanced features and other price/performance factors that enable us to increase revenues while maintaining consistent margins. To the extent that such cost reductions and new product introductions do not occur in a timely manner, or to the extent that our products do not achieve market acceptance at prices with higher margins, our financial condition and results of operations could be materially adversely affected.

We rely on independent foundries for the manufacture of all of our products and a manufacturing problem or insufficient foundry capacity could adversely affect our operations.

Most of our wafers are manufactured in Taiwan by TSMC and UMC. We also have wafers manufactured in South Korea by Samsung Electronics Co., Ltd. Terms with respect to the volume and timing of wafer production and the pricing of wafers produced by the semiconductor foundries are determined through periodic negotiations with these wafer foundries, which usually result in short-term agreements that do not provide for long-term supply or allocation commitments. We are dependent on these foundries to supply the substantial majority of our wafers. We rely on TSMC, UMC and our other foundries to produce wafers with competitive performance attributes. Therefore, the foundries, particularly TSMC which manufactures our newest products, must be able to transition to advanced manufacturing process technologies and increased wafer sizes, produce wafers at acceptable yields and deliver them in a timely manner. Furthermore, we cannot guarantee that the foundries that supply our wafers will offer us competitive pricing terms or other commercial terms important to our business.

We cannot guarantee that our foundries will not experience manufacturing problems, including delays in the realization of advanced manufacturing process technologies or difficulties due to limitations of new and existing process technologies. For example, we may experience supply shortages due to the difficulties that foundries may encounter if they must rapidly increase their production capacities from low utilization levels to high utilization levels because of an unexpected increase in demand. Furthermore, we cannot guarantee that the foundries will be able to manufacture sufficient quantities of our products or that they will continue to manufacture a given product for the full life of the product. We could also experience supply shortages due to very strong demand for our products, or a surge in demand for semiconductors in general, which may lead to tightening of foundry capacity across the industry. Further, public health crises such as an outbreak of contagious diseases like COVID-19 may affect the operations of our foundries. In addition, weak economic conditions may adversely impact the financial health and viability of the foundries and result in their insolvency or their inability to meet their commitments to us. The insolvency of a foundry or any significant manufacturing problem or insufficient foundry capacity would disrupt our operations and negatively impact our financial condition and results of operations.

We are subject to regulatory and operational risks associated with conducting business operations outside of the U.S. which could adversely affect our business.

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In addition to international sales and support operations and development activities, we purchase our wafers from foreign foundries, have our commercial products assembled, packaged and tested by subcontractors located outside the U.S. and utilize third party warehouse operators to store and manage inventory levels for certain of our products. All of these activities are subject to the uncertainties associated with international business operations, including global laws and regulations, trade barriers, economic sanctions, tax regulations, import and export regulations, duties and tariffs and other trade restrictions, changes in trade policies, anti-corruption laws, foreign governmental regulations, potential vulnerability of and reduced protection for IP, longer receivable collection periods, disruptions or delays in production or shipments and the impact from a global pandemic, such as COVID-19 and responsive government measures, any of which could have a material adverse effect on our business, financial condition and/or operating results.

In 2018, the U.S. and China began to impose partial tariffs on each other's products, leading to concerns of a trade war, which, if it were to escalate, could result in general economic downturn or otherwise have a material adverse effect on our business. For example, ZTE Corporation (ZTE) has been subject to trade restrictions under a denial order issued by the Bureau of Industry and Security (BIS) of the U.S. Department of Commerce. Although ZTE was granted relief from this denial order and is not currently subject to its restrictions, ZTE could become subject to the denial order again if the company fails to comply with the terms of the superseding settlement agreement or BIS determines that further sanctions are appropriate in the future. Also, in May 2019, BIS added Huawei Technologies Co., Ltd. (Huawei) and dozens of its affiliates to the Entity List, which imposes restrictions on the supply of certain U.S. and non-U.S. items and product support to listed Huawei entities. In May 2020, the Department of Commerce also published a new interim final rule amending the Foreign-Produced Direct Product Rule under the Export Administration Regulations (EAR) to impose new controls over certain foreign-produced items destined to designated entities on the Entity List (namely, Huawei). The Foreign-Produced Direct Product Rule was further revised in August 2020 in order to further restrict access to a broader swath of products by certain entities on the Entity List, including Huawei. As a result of these and other recent trade restrictions, we, along with others in the semi-conductor industry, are unable to sell certain products to Huawei without a license from BIS (for which there is a presumption of denial), and our ability to do business with Huawei has been adversely impacted. Further geopolitical and regulatory changes may result in shifting regulatory barriers, tax regulations and other trade restrictions that could further negatively impact our business, financial condition and/or operating results. In April 2020, for example, BIS announced further export control regulations effective on June 29, 2020, including the elimination of the license exception CIV (civil end-users), which had permitted certain national security-controlled items to be exported to certain destinations, such as China, without a license and the expansion of controls over items for MEU (military end-uses) in China, Russia and Venezuela. BIS also proposed modifications to the license exception APR (additional permissible reexports), which, if enacted, will impose a licensing requirement on items to be reexported to certain destinations. In June 2020, the Department of Commerce also announced the suspension of all Department of Commerce regulations that afford preferential treatment to Hong Kong under the EAR, including the availability of certain export license exceptions. This means that Hong Kong will now be treated the same as China under the EAR, which may impact certain of our logistical operations. Furthermore, BIS may still be considering other regulatory changes. We are dependent upon our ability to obtain export licenses, or exceptions to export license requirements, from U.S. and other foreign regulatory agencies. There is no assurance that we will be issued these licenses or be granted exceptions, and failure to obtain such licenses or exceptions could limit our ability to sell our products into certain countries and negatively impact our business, financial condition and/or operating results.

Additional factors that could adversely affect us due to our international operations include volatility in oil prices and increased costs, or limited supply of other natural resources. Moreover, our financial condition and results of operations could be adversely affected in the event of political conflicts, economic crises or changes in international relations affecting countries where our main wafer providers, warehouses, end customers, and contract manufacturers who provide assembly and test services worldwide, are located. For example, the United Kingdom's recent exit from the European Union, commonly referred to as "Brexit," has led to significant instability and uncertainty in such regions, which could have a material adverse effect on our business.

Earthquakes, other natural disasters or public health crises could disrupt our operations and have a material adverse effect on our financial condition and results of operations.

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Our worldwide operations could be disrupted by earthquakes or other natural disasters such as typhoons, tsunamis, volcano eruptions, fires or floods, public health crises such as an outbreak of contagious diseases like COVID-19, as well as disruptions in access to adequate supplies of electricity, natural gas or water. The independent foundries, upon which we rely to manufacture our products, as well as our California and Singapore facilities, are located in regions that are subject to earthquakes, wildfires or other natural disasters. TSMC's and UMC's foundries in Taiwan and our assembly and test partners in other regions as well as many of our operations in California are located in areas that have been seismically active in the past and some of these areas have also been affected by other natural disasters such as typhoons. Disruption of operations at these foundries and our facilities could cause delays in manufacturing and shipments of our products, and could have a material adverse effect on our results of operations. Any catastrophic event in these locations would disrupt our operations, and our insurance may not cover losses resulting from such disruptions of our operations, thereby materially adversely affecting our financial condition and results of operations. Furthermore, natural disasters can also indirectly impact us. For example, our customers' supply of other complimentary products may be disrupted by a natural disaster and may cause them to delay orders of our products. More vertically-integrated competitors may be less exposed to some or all of these and other risks.

The semiconductor industry is characterized by cyclical market patterns and a significant industry downturn could adversely affect our operating results.

The semiconductor industry is highly cyclical and our financial performance has been affected by downturns in the industry. Down cycles are generally characterized by price erosion and weaker demand for our products. Weaker demand for our products resulting from economic conditions in the end markets we serve and reduced capital spending by our customers can result, and in the past has resulted, in excess and obsolete inventories and corresponding inventory write-downs. We attempt to identify changes in market conditions as soon as possible; however, the dynamics of the market in which we operate make prediction of and timely reaction to such events difficult. Due to these and other factors, our past results are not reliable predictors of our future results.

The nature of our business makes our revenues difficult to predict which could have an adverse impact on our business.

In addition to the challenging market conditions we may face, we have limited visibility into the demand for our products, particularly new products, because demand for our products depends upon our products being designed into our end customers' products and those products achieving market acceptance. Due to the complexity of our customers' designs, the design to volume production process for our customers requires a substantial amount of time, frequently longer than a year. In addition, other factors may affect our end customers' demand for our products, including, but not limited to, end customer program delays and the ability of end customers to secure other complementary products. We also are dependent upon "turns," orders received and turned for shipment in the same quarter. These factors make it difficult for us to forecast future sales and project quarterly revenues. The difficulty in forecasting future sales impairs our ability to project our inventory requirements, which could result, and in the past has resulted, in inventory write-downs or failure to meet customer product demands in a timely manner. In addition, difficulty in forecasting revenues compromises our ability to provide forward-looking revenue and earnings guidance.

If we are not able to compete successfully in our industry, our financial results and future prospects will be adversely affected.

Our products now compete in several areas of the semiconductor industry, an industry that is intensely competitive and characterized by rapid technological change, increasing levels of integration, product obsolescence and continual price erosion. We expect continued competition from our primary PLD competitors such as Intel Corporation (Intel), Lattice Semiconductor Corporation (Lattice) and Microchip Corporation, and from ASSP vendors such as Broadcom Corporation (Broadcom), Marvell Technology Group, Ltd. (Marvell) and Texas Instruments Incorporated (Texas Instruments), as well as from companies such as NVIDIA with whom we historically have not competed. In addition, we expect continued competition from the ASIC market, which has been ongoing since the inception of FPGAs. We believe that important competitive factors in the logic IC industry include:

- product pricing;
- time-to-market;
- product performance, reliability, quality, power consumption and density;
- field upgradeability;
- adaptability of products to specific applications;
- ease of use and functionality of software design tools;
- availability and functionality of predefined IP logic;
- completeness of applicable software solutions;

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- adherence to industry-standard programming environments;
- inventory and supply chain management;
- access to leading-edge process technology and assembly capacity;
- ability to provide timely customer service and support; and
- access to advanced packaging technology.

Our strategy for expansion in the logic market includes continued introduction of new product architectures that address high-volume, low-cost and low-power applications as well as high-performance, high-density applications. However, we may not be successful in executing this strategy. In addition, we anticipate continued pressure from our customers to reduce prices, which may outpace our ability to lower the cost for established products.

Other competitors include manufacturers of:

- high-density programmable logic products characterized by FPGA-type architectures;
- high-volume and low-cost FPGAs as programmable replacements for ASICs and ASSPs;
- ASICs and ASSPs with incremental amounts of embedded programmable logic;
- high-speed, low-density complex programmable logic devices;
- high-performance digital signal processing devices;
- products with embedded processors;
- products with embedded multi-gigabit transceivers;
- discrete general-purpose Graphics Processing Units (GPUs) targeting data center and automotive applications; and
- other new or emerging programmable logic products.

Several companies have introduced products that compete with ours or have announced their intention to sell PLD products. To the extent that our efforts to compete are not successful, our financial condition and results of operations could be materially adversely affected.

The benefits of programmable logic have attracted a number of competitors to this segment. We recognize that different applications require different programmable technologies, and we are developing architectures, processes and products to meet these varying customer needs. Recognizing the increasing importance of standard software solutions, we have developed common software design tools that support the full range of our IC products. We believe that automation and ease of design are significant competitive factors in this segment.

We could also face competition from our licensees. In the past we have granted limited rights to other companies with respect to certain aspects of our older technology, and we may do so in the future. Granting such rights may enable these companies to manufacture and market products that may be competitive with some of our older products.

Increased costs of wafers and materials, or shortages in wafers and materials, could adversely impact our gross margins and lead to reduced revenues.

If greater demand for wafers is not offset by an increase in foundry capacity, market demand for wafers or production and assembly materials increases, or if a supplier of our wafers or other materials ceases or suspends operations, for example due to shutdown measures implemented in response to the COVID-19 outbreak, our supply of wafers and other materials could become limited. Such shortages raise the likelihood of potential wafer price increases, wafer shortages or shortages in materials at production and test facilities, resulting in potential inability to address customer product demands in a timely manner. For example, in 2011, when certain suppliers located in Japan were forced to temporarily halt production as the result of a natural disaster, this resulted in a tightening of supply for those materials. Such shortages of wafers and materials as well as increases in wafer or materials prices could adversely affect our gross margins and would adversely affect our ability to meet customer demands and lead to reduced revenue.

We depend on distributors, primarily Avnet, to generate a significant portion of our sales and complete order fulfillment.

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Avnet's revenue accounted for 41% of our worldwide net revenues in the second quarter of fiscal 2021 and as of September 26, 2020, Avnet accounted for 25% of our total net accounts receivable. Any adverse change to our relationship with Avnet or our other distributors could have a material impact on our business. Furthermore, if a key distributor materially defaulted on a contract or otherwise failed to perform, our business and financial results would suffer. In addition, we are subject to concentrations of credit risk in our trade accounts receivable, which includes accounts of our distributors. A significant reduction of effort by a distributor to sell our products or a material change in our relationship with one or more distributors may reduce our access to certain end customers and adversely affect our ability to sell our products.

In addition, the financial health of our distributors and our continuing relationships with them are important to our success. Unpredictable economic conditions may adversely impact the financial health of some of these distributors, particularly our smaller distributors. This could increase our credit risk exposure relating to the insolvency of certain distributors, the inability of distributors to obtain credit to finance the purchase of our products, or delayed payment for such purchases. Our business could be harmed if the financial health of these distributors impaired their performance and we were unable to secure alternate distributors.

We are dependent on independent subcontractors for most of our assembly and test services, and unavailability or disruption of these services could negatively impact our financial condition and results of operations.

We are dependent on subcontractors to provide semiconductor assembly, substrate, test and shipment services. Any (i) prolonged inability to obtain wafers with competitive performance and cost attributes, adequate yields or timely delivery, (ii) disruption in assembly, test or shipment services, (iii) delays in stabilizing manufacturing processes and ramping up volume for new products, (iv) transitions to new service providers, or (v) other circumstance that would require us to seek alternative sources of supply, could delay shipments and have a material adverse effect on our ability to meet customer demands. In addition, unpredictable economic conditions may adversely impact the financial health and viability of these subcontractors and result in their insolvency or their inability to meet their commitments to us. These factors would result in reduced net revenues and could negatively impact our financial condition and results of operations.

A number of factors, including our inventory strategy, can impact our gross margins.

A number of factors can cause our gross margins to fluctuate, including yield, wafer pricing, product mix, market acceptance of our new products, competitive pricing dynamics, licensing costs, geographic and/or market segment pricing strategies. In addition, forecasting our gross margins is difficult because a significant portion of our business is based on turns within the same quarter.

While our overall inventory levels fluctuate over time, the inventory of newer product lines may be higher than other products due to a planned increase in safety stock in anticipation of future revenue growth. In the event demand does not materialize, we may be subject to incremental obsolescence costs. In addition, future product cost reductions could have impact on our inventory valuation as well as our operating results.

Reductions in the average selling prices of our products could have a negative impact on our gross margins.

The average selling prices of our products generally decline as the products mature. We seek to offset the decrease in selling prices through yield improvement, manufacturing cost reductions and increased unit sales. We also continue to develop higher value products or product features that increase the average selling prices of our products, or slow the decline of such prices. However, there is no guarantee that our ongoing efforts will be successful or that they will keep pace with the decline in selling prices of our products, which could ultimately lead to a decline in our revenues and gross margins.

General negative economic conditions and any related deterioration in the global business environment could have a material adverse effect on our business, operating results and financial condition.

If weak economic conditions happen, there may be a number of negative effects on our business, including customers or potential customers reducing or delaying orders, the insolvency of key suppliers, potentially causing production delays, the inability of customers to obtain credit, and the insolvency of one or more customers. Any of these effects could impact our ability to effectively manage inventory levels and collect receivables and ultimately decrease our net revenues and profitability.

Because we have international business and operations, we are vulnerable to the economic conditions of the countries in which we operate and currency fluctuations could have a material adverse effect on our business and negatively impact our financial condition and results of operations.

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In addition to our U.S. operations, we also have significant international operations, including foreign sales offices to support our international customers and distributors, our regional headquarters in Ireland and Singapore and an R&D site in India. Sales and operations outside of the U.S. subject us to the risks associated with conducting business in foreign economic and regulatory environments. Our financial condition and results of operations could be adversely affected by unfavorable economic conditions in countries in which we do significant business or by changes in foreign currency exchange rates affecting those countries. We derive more than half of our revenues from international sales, primarily in the Asia Pacific region, Europe and Japan where economic weaknesses have adversely affected our revenues in the past. Sales to all direct OEMs and distributors are denominated in U.S. dollars. Currency instability and volatility and disruptions in the credit and capital markets may increase credit risks for some of our customers and may impair our customers' ability to repay existing obligations. For example, the United Kingdom's "Brexit" transition has created economic uncertainty and currency volatility in the European Union. Increased currency volatility could also positively or negatively impact our foreign-currency-denominated costs, assets and liabilities. In addition, any devaluation of the U.S. dollar relative to other foreign currencies may increase the operating expenses of our foreign subsidiaries adversely affecting our results of operations. Furthermore, because we are increasingly dependent on the global economy, instability in worldwide economic environments occasioned, for example, directly or indirectly by political instability (such as due to Brexit), terrorist activity, U.S. or other military actions, changes to U.S. domestic and foreign policy and international sanctions or other diplomatic actions (potentially including sanctions adopted or under consideration by the U.S. or European Union with respect to Russia or Russian individuals or businesses), could adversely impact economic activity and lead to a contraction of capital spending by our customers generally or in specific regions. Any or all of these factors could adversely affect our financial condition and results of operations in the future.

We are exposed to fluctuations in interest rates and changes in credit risk which could have a material adverse impact on our financial condition and results of operations as it relates to the market value of our investment portfolio.

Our cash, short-term and long-term investments represent significant assets that may be subject to fluctuating or even negative returns depending upon interest rate movements, changes in credit risk and financial market conditions. Global credit market disruptions and economic slowdown and uncertainty have in the past negatively impacted the values of various types of investment and non-investment grade securities. The global credit and capital markets may again experience significant volatility and disruption due to instability in the global financial system, uncertainty related to global economic conditions and concerns regarding sovereign financial stability.

Therefore, there is a risk that we may incur impairment charges for certain types of investments should credit market conditions deteriorate or the underlying assets fail to perform as anticipated. Our future investment income may fall short of expectations due to changes in interest rates or decline in fair values of our debt securities. Furthermore, we may suffer losses in principal on our investments if we are forced to sell securities that have declined in market value due to changes in interest rates or financial market conditions.

Our failure to protect and defend our IP could impair our ability to compete effectively.

We rely upon patent, copyright, trade secret, mask work and trademark laws to protect our IP. We cannot provide assurance that such IP rights can be successfully asserted in the future or will not be invalidated, violated, circumvented or challenged. From time to time, third parties, including our competitors, have asserted against us patent, copyright or other IP rights to technologies that are important to us. Third parties may attempt to misappropriate our IP through electronic or other means or assert infringement claims against us or parties we have agreed to indemnify. Such assertions by third parties may result in costly litigation, indemnity claims or other legal actions, and we may not prevail in such matters or be able to license any valid and infringed patents from third parties on commercially reasonable terms. This could result in the loss of our ability to import and sell our products or require us to pay costly royalties to third parties in connection with sales of our products. Any infringement claim, indemnification claim, or impairment or loss of use of our IP could materially adversely affect our financial condition and results of operations.

Our ability to design and introduce new products in a timely manner is dependent upon third-party IP.

In the design and development of new products and product enhancements, we rely on third-party intellectual property such as software development tools and hardware testing tools. Furthermore, certain product features may rely on intellectual property acquired from third parties, including hardware and software tools and products. The design requirements necessary to meet future consumer demands for more features and greater functionality from semiconductor products may exceed the capabilities of the third-party intellectual property or development tools that are available to us. In addition, hardware and software tools and products procured from third parties may contain design or manufacturing defects, including flaws that could unexpectedly interfere with the operation of our products. If the third-party intellectual property that we use becomes unavailable or fails to produce designs that meet consumer demands, our business could be adversely affected.

[Table of Contents](#)**Any failure of our information technology systems to function properly could result in business disruption.**

We rely in part on various information technology (IT) systems to manage our operations, including, but not limited to, financial reporting, and we regularly evaluate these systems and make changes to improve them as necessary. Consequently, we periodically implement new, or upgrade or enhance existing, operational and IT systems, procedures and controls. Any delay in the implementation of, or disruption in the transition to, new or enhanced systems, procedures or controls, could harm our ability to record and report financial, management, or operational information on a timely and accurate basis. In addition, hardware and software tools and products procured from third parties included in our IT systems could contain design or manufacturing defects, including flaws that could unexpectedly interfere with the operation of our IT systems. These systems are also subject to power and telecommunication outages or other general system failures. Failure of our IT systems or difficulties in managing them could result in business disruption.

Cyber-attacks and data breaches could have an adverse effect on our business and reputation and negatively impact our financial condition and results of operations.

Security breaches, including cyber-attacks, phishing attacks or attempts to misappropriate or compromise confidential or proprietary information or sabotage enterprise IT systems, are becoming increasingly frequent and more sophisticated. We depend on the uninterrupted operation of our IT systems to manage our operations, store and retrieve business and financial data and facilitate internal communications and communications with customers, subcontractors, suppliers and distribution partners. We experience security incidents of varying degrees on an ongoing basis. We take steps to detect and investigate any security incidents and prevent their recurrence, but, in some cases, we might be unaware of an incident or its magnitude and effects. Because the techniques used to obtain unauthorized access to or sabotage networks and systems change frequently, we may be unable to anticipate these techniques or to implement adequate protections. These security incidents may involve unauthorized access, misuse or disclosure of intellectual property or confidential or proprietary information regarding our business or that of our customers or business partners. We also may be subject to unauthorized access to our IT systems through a security breach or cyber-attack. In the past, there have been attempts by third parties to penetrate and/or infect our network and systems with malicious software in an effort to gain access to our network and systems. Recently, several large organizations have been infected by "ransomware," through which an attacker gains access to the organization's computer files, renders them temporarily inaccessible and threatens to permanently delete them if a cash ransom is not paid by a specified deadline. Third parties may continue to attempt to fraudulently induce employees, users, or customers to disclose sensitive information in order to gain access to our network and systems. The IT systems of our remote internet-connected third party server providers (sometimes called the "cloud"), customers, suppliers, and distribution partners and the links between our IT systems and our customers are subject to the same risks as those of our IT systems. The costs to us to prevent, detect or alleviate cyber- or other security problems, bugs, viruses, worms, malicious software programs and security vulnerabilities could be significant, and our efforts to address these problems may not be successful. In addition, as a result of the COVID-19 pandemic, most of our employees have been working remotely, which may pose additional IT security risks. In the event of a security breach, our business and reputation could be harmed and we could be subject to legal and regulatory claims which could negatively impact our financial condition and results of operations.

Acquisitions and strategic investments present risks, and we may not realize the goals that were contemplated at the time of a transaction.

We have acquired technology companies whose products complement our products. We also have made a number of strategic investments in other technology companies. We may make similar acquisitions and strategic investments in the future, which present risks, including:

- our ongoing business may be disrupted and our management's attention may be diverted by investment, acquisition, transition or integration activities;
- an acquisition or strategic investment may not further our business strategy as we expected, and we may not integrate an acquired company or technology as successfully as we expected;
- our operating results or financial condition may be adversely impacted by claims or liabilities that we assume from an acquired company or technology or that are otherwise related to an acquisition;
- we may have difficulty incorporating acquired technologies or products with our existing product lines;
- we may have higher than anticipated costs in continuing support and development of acquired products, and in general and administrative functions that support such products;

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- our strategic investments may not perform as expected, and we may be required to recognize a loss on any or all of our strategic investments; and
- we may experience unexpected changes in how we are required to account for our acquisitions and strategic investments pursuant to U.S. GAAP.

The occurrence of any of these risks could have a material adverse effect on our business, results of operations, financial condition or cash flows, particularly in the case of a larger acquisition or several concurrent acquisitions or strategic investments.

If we are unable to maintain effective internal controls, our stock price could be adversely affected.

We are subject to the ongoing internal control provisions of Section 404 of the Sarbanes-Oxley Act of 2002 (the Sarbanes-Oxley Act). Our controls necessary for continued compliance with the Sarbanes-Oxley Act may not operate effectively at all times and may result in a material weakness disclosure. The identification of material weaknesses in internal control, if any, could indicate a lack of proper controls to generate accurate financial statements and could cause investors to lose confidence and our stock price to drop.

We compete with others to attract and retain key personnel, and any loss of, or inability to attract, such personnel would harm us.

We depend on the efforts and abilities of certain key members of management and other technical personnel. Our future success depends, in part, upon our ability to retain, develop and transition such personnel and attract and retain other highly qualified personnel, particularly product engineers. Competition for such personnel is intense and we may not be successful in hiring or retaining new or existing qualified personnel. Changes to the U.S. immigration laws may also impact the availability of qualified personnel. From time to time we have effected restructurings that eliminate a number of positions. For example, during the fourth quarter of fiscal 2020, we announced cost-saving measures designed to drive structural operating efficiencies across the Company by reducing our global workforce by approximately 5% through a targeted global workforce reduction in force. Even if such personnel are not directly affected by the restructuring effort, such terminations can have a negative impact on morale and our ability to attract and hire new qualified personnel in the future. If we are unable to retain or develop existing qualified personnel or are unable to hire new qualified personnel, as needed, our business, financial condition and results of operations could be seriously harmed. Further, changes to our qualified personnel, including key members of management, may be disruptive to our business, and any failure to successfully assimilate key new hires, or to successfully retain, develop and transition promoted employees, could adversely affect our business and results of operations.

Unfavorable results of legal proceedings could adversely affect our financial condition and operating results.

From time to time we are subject to various legal proceedings and claims that arise out of the ordinary conduct of our business. The amount of damages alleged in certain legal claims may be significant. Certain other claims involving the Company are not yet resolved, including those that are discussed under "Note 17. Contingencies" to our consolidated financial statements, included in Item 1. "Financial Statements" of this Form 10-Q, and additional claims may arise in the future. Results of legal proceedings cannot be predicted with certainty. Regardless of its merit, litigation may be both time-consuming and disruptive to our operations and cause significant expense and diversion of management attention and we may enter into material settlements to avoid these risks. Entering into settlements may result in payment of significant amounts which may materially and adversely affect our financial condition and operation results. Should we fail to prevail in certain matters, or should several of these matters be resolved against us, we may be faced with significant monetary damages or injunctive relief against us that would materially and adversely affect a portion of our business and might materially and adversely affect our financial condition and operating results.

Our products could have defects which could result in reduced revenues and claims against us.

We develop complex and evolving products that include both hardware and software. Despite our testing efforts and those of our subcontractors, defects may be discovered in existing or new products. Such defects may cause us to incur significant warranty, support and repair or replacement costs, divert the attention of our engineering personnel from our product development efforts and harm our relationships with customers. Subject to certain terms and conditions, we have agreed to compensate certain customers for limited specified costs they actually incur in the event our hardware products experience epidemic failure. As a result, epidemic failure and other performance problems could result in claims against us or the delay or loss of market acceptance of our products and would likely harm our business. Our customers could also seek damages from us for their losses.

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In addition, we could be subject to product liability claims. A product liability claim brought against us, even if unsuccessful, would likely be time-consuming and costly to defend. Product liability risks are particularly significant with respect to aerospace, automotive and medical applications because of the risk of serious harm to users of these products. Any product liability claim, whether or not determined in our favor, could result in significant expense, divert the efforts of our technical and management personnel, and harm our business.

In preparing our financial statements, we make good faith estimates and judgments that may change or turn out to be erroneous.

In preparing our financial statements in conformity with accounting principles generally accepted in the U.S., we must make estimates and judgments in applying our critical accounting policies. Those estimates and judgments have a significant impact on the results we report in our consolidated financial statements. The most difficult estimates and subjective judgments that we make concern valuation of marketable and non-marketable securities, revenue recognition, inventories, long-lived assets including acquisition-related intangibles, goodwill, taxes and stock-based compensation. We base our estimates on historical experience, input from outside experts and various other assumptions 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 that are not readily apparent from other sources. We also have other key accounting policies that are not as subjective, and therefore, their application would not require us to make estimates or judgments that are as difficult, but which nevertheless could significantly affect our financial reporting. Actual results may differ materially from these estimates. If these estimates or their related assumptions change, our operating results for the periods in which we revise our estimates or assumptions could be adversely and materially affected.

Our failure to comply with the requirements of the Export Administration Regulations (EAR) and the International Traffic and Arms Regulations (ITAR) could have a material adverse effect on our financial condition and results of operations.

Our FPGAs and related technologies are subject to EAR, which are administered by the U.S. Department of Commerce. In addition, we may, from time to time, receive technical data from third parties that is subject to the ITAR, which are administered by the U.S. Department of State. EAR and ITAR govern the export and re-export of these FPGAs, the transfer of related technologies, whether in the U.S. or abroad, and the provision of services. We are required to maintain an internal compliance program and security infrastructure to meet EAR and ITAR requirements.

An inability to obtain the required export licenses, or to predict when they will be granted, increases the difficulties of forecasting shipments. In addition, security or compliance program failures that could result in penalties or a loss of export privileges, as well as stringent licensing restrictions that may make our products less attractive to overseas customers, could have a material adverse effect on our business, financial condition and/or operating results.

Our inability to effectively control the sale of our products on the gray market could have a material adverse effect on our business or results of operations.

We market and sell our products directly to OEMs and through authorized third-party distributors which helps to ensure that products delivered to our customers are authentic and properly handled. From time to time, customers may purchase products bearing our name from the unauthorized "gray market." These parts may be counterfeit, salvaged or re-marked parts, or parts that have been altered, mishandled, or damaged. Gray market products result in shadow inventory that is not visible to us, thus making it difficult to forecast supply or demand. Also, when gray market products enter the market, we and our authorized distributors may compete with brokers of these discounted products, which can adversely affect demand for our products and negatively impact our margins. In addition, our reputation with customers may be negatively impacted when gray market products bearing our name fail or are found to be substandard.

The conflict minerals provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act could result in additional costs and liabilities.

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In accordance with the Dodd-Frank Wall Street Reform and Consumer Protection Act, the SEC established disclosure and reporting requirements for companies whose products incorporate "conflict" minerals mined from the Democratic Republic of Congo and adjoining countries, regardless of whether such products are manufactured by those companies or by third parties. These requirements could affect the sourcing and availability of minerals used in the manufacture of our semiconductor products. The costs associated with complying with the disclosure requirements include those for due diligence in regard to the sources of any conflict minerals used in our products, remediation and other changes to products, processes, or sources of supply as a consequence of such verification activities. We may face reputational challenges if we are unable to sufficiently verify the origins for all minerals used in our products through the due diligence process we implement. Moreover, some of our customers may require that all of the components of our products are certified as conflict-free, and we may be unable to verify the origin of the raw materials used in our products to the extent necessary to make this certification.

Exposure to greater-than-anticipated income tax liabilities, changes in tax rules and regulations, changes in interpretation of tax rules and regulations, or unfavorable assessments from tax audits could affect our effective tax rates, financial condition and results of operations.

We are a U.S.-based multinational company subject to tax in multiple U.S. and foreign tax jurisdictions. Our income tax obligations could be affected by many factors, including but not limited to changes to our corporate operating structure, intercompany arrangements and tax planning strategies.

Our income tax expense is computed based on tax rates at the time of the respective financial period. Our future effective tax rates, financial condition and results from operations could be unfavorably affected by changes in the tax rates in jurisdictions where our income is earned, by changes in the tax rules and regulations or the interpretation of tax rules and regulations in the jurisdictions in which we do business or by changes in the valuation of our deferred tax assets.

The TCJA enacted in December 2017 had a significant impact on our tax obligations. Amendments or technical corrections to the TCJA could also meaningfully affect our tax obligations and our effective tax rate in the period enacted. A significant portion of our earnings are earned by our subsidiaries outside the U.S. Changes to the taxation of certain foreign earnings as provided in the TCJA, along with the state tax impact of these changes, may have an adverse effect on our effective tax rate. Furthermore, changes to the taxation of undistributed foreign earnings could change our future intentions regarding reinvestment of such earnings. The foregoing items could have a material effect on our business, cash flow, results of operations or financial condition.

In addition, we are subject to examinations of our income tax returns by domestic and foreign tax authorities. We regularly assess the likelihood of outcomes resulting from these examinations to determine the adequacy of our provision for income taxes and have reserved for potential adjustments that may result from the current examinations. There can be no assurance that the final determination of any of these examinations will not have an adverse effect on our effective tax rates, financial condition and results of operations.

Considerable amounts of shares of our common stock are available for issuance under our equity incentive plans, and significant issuances in the future may adversely impact the market price of our common stock.

As of September 26, 2020 we had 2.00 billion authorized common shares, of which 245.1 million shares were outstanding. In addition, 32.0 million shares of common stock were reserved for issuance pursuant to our equity incentive plans and Amended and Restated 1990 Employee Qualified Stock Purchase Plan. The availability of substantial amounts of our common stock resulting from the exercise or settlement of equity awards outstanding under our equity incentive plans, which would be dilutive to existing stockholders, could adversely affect the prevailing market price of our common stock and could impair our ability to raise additional capital through the sale of equity securities.

We have indebtedness that could adversely affect our financial condition and prevent us from fulfilling our debt obligations.

The aggregate amount of our consolidated indebtedness as of September 26, 2020 was \$2.00 billion (principal amount), which consists of \$500.0 million in aggregate principal amount of our 3.000% Notes due 2021 (2021 Notes), \$750.0 million in aggregate principal amount of our 2.950% senior notes due 2024 (2024 Notes) and \$750.0 million in aggregate principal amount of our 2.375% senior notes due 2030 (2030 Notes). We also may incur additional indebtedness in the future. Our indebtedness may:

- make it difficult for us to satisfy our financial obligations, including making scheduled principal and interest payments on the debentures and our other indebtedness;

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- limit our ability to borrow additional funds for working capital, capital expenditures, acquisitions or other general corporate purposes;
- limit our ability to use our cash flow or obtain additional financing for future working capital, capital expenditures, acquisitions or other general business purposes;
- require us to use a portion of our cash flow from operations to make debt service payments;
- limit our flexibility to plan for, or react to, changes in our business and industry;
- place us at a competitive disadvantage compared to our less leveraged competitors; and
- increase our vulnerability to the impact of adverse economic and industry conditions.

Our ability to meet our debt service obligations will depend on our future performance, which will be subject to financial, business and other factors affecting our operations, many of which are beyond our control.

The agreements governing our debt obligations contain covenants that may adversely affect our ability to operate our business.

The indentures governing the 2021 Notes, 2024 Notes and 2030 Notes contain various covenants limiting our and our subsidiaries' ability to, among other things:

- create certain liens on principal property or the capital stock of certain subsidiaries;
- enter into certain sale and leaseback transactions with respect to principal property; and
- consolidate or merge with, or convey, transfer or lease all or substantially all our assets, taken as a whole, to another person.

A failure to comply with these covenants or other provisions in these agreements could result in events of default under the agreements, which could permit acceleration of the related debt obligations, as well as other debt obligations. Any required repayment as a result of such acceleration could have a material adverse effect on our business, results of operations, financial condition or cash flows.

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

On October 22, 2019, the Board authorized the 2019 Repurchase Program to repurchase the Company's common stock and debentures up to \$1.00 billion. The 2019 Repurchase Program has no stated expiration date. Through September 26, 2020, we have used \$716.3 million out of the \$1.00 billion authorized under the 2019 Repurchase Program, leaving \$283.7 million available for future purchases.

There was no common stock repurchase during the second quarter of fiscal 2021.

[Table of Contents](#)**Item 6. Exhibits**

Exhibit No	Exhibit Title	Incorporated by Reference				
		Form	File No.	Exhibit	Filing Date	Filed Herewith
10.1	+ Sales Exhibit, effective March 29, 2020, entered into pursuant to the Addendum to Master Distribution Agreement, dated April 20, 2017, by and between the Company and Avnet, Inc.					X
10.2	* Offer Letter for Brice Hill as Executive Vice President and Chief Financial Officer, dated March 31, 2020					X
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002					X
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002					X
32.1	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002					X
32.2	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002					X
101.INS	XBRL Instance Document - the instance document does not appear in the interactive data file because its XBRL tags are embedded within the inline XBRL document.					X
101.SCH	XBRL Taxonomy Extension Schema Document					X
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document					X
101.LAB	XBRL Taxonomy Extension Label Linkbase Document					X
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document					X
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document					X
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)					X

+ Portions of this Exhibit have been omitted.

* Management contract or compensatory plan or arrangement.

Items 3, 4 and 5 are not applicable and have been omitted.

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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.

XILINX, INC.

Date: October 22, 2020

/s/ Brice Hill

Brice Hill

Executive Vice President and Chief Financial
Officer
(as principal financial officer and on behalf of
Registrant)

/s/ Sumeet Gagneja

Sumeet Gagneja

Chief Accounting Officer
(as principal accounting officer)