ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

This Annual Report on Form 10-K includes "forward-looking statements" within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements include, but are not limited to, statements about our plans, objectives, representations and contentions, and are not historical facts and typically are identified by use of terms such as "may," "will," "should," "could," "expect," "plan," "anticipate," "believe," "estimate," "predict," "potential," "continue" and similar words, although some forward-looking statements are expressed differently. You should be aware that the forward-looking statements included herein represent management's current judgment and expectations, but our actual results, events and performance could differ materially from those expressed or implied by forward-looking statements. We do not intend to update any of these forward-looking statements or publicly announce the results of any revisions to these forward-looking statements, other than as is required under U.S. federal securities laws. Our business is subject to numerous risks and uncertainties, including those relating to variability in our operating results, the inability of certain of our customers or suppliers to access their traditional sources of credit, our industry's rapidly changing technology, our dependence on a few large customers for a substantial portion of our revenue, a loss of revenue if contracts with the U.S. government or defense and aerospace contractors are canceled or delayed, our ability to implement innovative technologies, our ability to bring new products to market and achieve design wins, the efficient and successful operation of our wafer fabrication facilities, assembly facilities and test and tape and reel facilities, our ability to adjust production capacity in a timely fashion in response to changes in demand for our products, variability in manufacturing yields, industry overcapacity and current macroeconomic conditions, inaccurate product forecasts and corresponding inventory and manufacturing costs, dependence on third parties and our ability to manage platform providers and customer relationships, our dependence on international sales and operations, our ability to attract and retain skilled personnel and develop leaders, the possibility that future acquisitions may dilute our stockholders' ownership and cause us to incur debt and assume contingent liabilities, fluctuations in the price of our common stock, additional claims of infringement on our intellectual property portfolio, lawsuits and claims relating to our products, security breaches and other similar disruptions compromising our information and exposing us to liability, and the impact of stringent environmental regulations. These and other risks and uncertainties, which are described in more detail under Item 1A, "Risk Factors" in this Annual Report on Form 10-K and in other reports and statements that we file with the SEC, could cause actual results and developments to be materially different from those expressed or implied by any of these forward-looking statements.

The following discussion should be read in conjunction with, and is qualified in its entirety by reference to, our audited consolidated financial statements, including the notes thereto.

OVERVIEW

Company

On February 22, 2014, RF Micro Devices, Inc. ("RFMD") entered into an Agreement and Plan of Merger and Reorganization as subsequently amended on July 15, 2014 (the "Merger Agreement"), with TriQuint Semiconductor, Inc. ("TriQuint") providing for the combination of RFMD and TriQuint in a merger of equals ("Business Combination") under a new holding company named Qorvo, Inc. (the "Company" or "Qorvo"). The transactions contemplated by the Merger Agreement were consummated on January 1, 2015, and as a result, TriQuint's results of operations are included in Qorvo's fiscal 2015 Consolidated Statements of Operations for the period of January 1, 2015 through March 28, 2015 (the "Post-Combination Period") and for the full fiscal year of 2016.

For financial reporting and accounting purposes, RFMD was the acquirer of TriQuint in the Business Combination. Unless otherwise noted, "we," "our" or "us" in this report refers to RFMD and its subsidiaries prior to the closing of the Business Combination and to Qorvo and its subsidiaries after the closing of the Business Combination.

Qorvo® is a leading provider of technologies and solutions that address the growing demand for always-on, high reliability, broadband data connectivity. We combine one of the industry's broadest portfolios of radio frequency ("RF") solutions and semiconductor technologies with deep systems-level expertise and scale manufacturing capabilities to enable a diverse set of cutting-edge customer products, including smartphones, tablets, wearables, broadband customer premise equipment, home automation, in-vehicle infotainment, data center and military radar and communications. Our products are helping to drive the ongoing, rapid transformation of how people around the world interact with their communities, access and use data, and transact commerce.

We have more than 7,300 global employees dedicated to delivering solutions for everything that connects the world. We have world-class ISO-certified manufacturing facilities, and our Richardson, Texas facility is a U.S. Department of Defense (“DoD”)-accredited ‘Trusted Source’ (Category 1A) for gallium arsenide (“GaAs”), gallium nitride (“GaN”) and bulk acoustic wave (“BAW”) technologies, products and services. Our design and manufacturing expertise encompasses many semiconductor process technologies, which we source both internally and through external suppliers. We operate worldwide with design, sales and manufacturing facilities located throughout Asia, Europe and North America. Our primary manufacturing facilities are located in North Carolina, Oregon, Texas and Florida, and our primary assembly and test facilities are located in China, Costa Rica and Texas.

Business Segments

We design, develop, manufacture and market our products to leading U.S. and international original equipment manufacturers (“OEMs”) and original design manufacturers (“ODMs”) in the following operating segments:

- *Mobile Products (MP)* - MP is a leading global supplier of RF solutions that perform various functions in the increasingly complex cellular radio front end section of smartphones and other cellular devices. These RF solutions are required in fourth generation (“4G”) data-centric devices operating under Long-Term Evolution (“LTE”) 4G networks, as well as third generation (“3G”) and second generation (“2G”) mobile devices. Our solutions include complete RF front end modules that combine high-performance filters, power amplifiers (“PAs”), low noise amplifiers ("LNAs") and switches, PA modules, transmit modules, antenna control solutions, antenna switch modules, diversity receive modules and envelope tracking ("ET") power management devices. MP supplies its broad portfolio of RF solutions into a variety of mobile devices, including smartphones, notebook computers, wearables, tablets, and cellular-based applications for the Internet of Things (“IoT”).

- *Infrastructure and Defense Products (IDP)* - IDP is a leading global supplier of RF solutions that support diverse global applications, including ubiquitous high-speed network connectivity to the cloud, data center communications, rapid internet connectivity throughout the home and workplace, and upgraded military capabilities across the globe. Qorvo’s RF solutions enhance performance and reduce complexity in cellular base stations, optical long haul, data center and metro networks, WiFi networks, cable networks, and emerging fifth generation (“5G”) wireless networks. Our IDP products include high power GaAs and GaN PAs, LNAs, switches, RF filter solutions, CMOS system-on-a-chip (“SoC”) solutions and various multichip and hybrid assemblies. Our market-leading RF solutions for defense and aerospace upgrade communications and radar systems for air, land and sea. Our RF solutions for the IoT enable the connected car and an array of industrial applications, and we serve the home automation market with SoC solutions based on ZigBee and Bluetooth Smart technologies.

As of April 2, 2016, our reportable segments are MP and IDP. These business segments are based on the organizational structure and information reviewed by our Chief Executive Officer, who is our chief operating decision maker (or CODM), and are managed separately based on the end markets and applications they support. The CODM allocates resources and evaluates the performance of each operating segment primarily based on operating income and operating income as a percentage of revenue. In connection with the Business Combination, in the fourth quarter of fiscal 2015, we renamed our Cellular Products Group operating segment as MP and our Multi-Market Products Group operating segment as IDP. Additionally, the CODM elected to discontinue reporting Compound Semiconductor Group as an operating segment (see Note 15 of the Notes to the Consolidated Financial Statements in Part II, Item 8 of this report for additional information regarding our operating segments).

Fiscal 2016 Management Summary

- Our revenue increased 52.6% in fiscal 2016 to $2,610.7 million as compared to $1,711.0 million in fiscal 2015, primarily because fiscal 2015 included only three months of TriQuint revenue.

- Our gross margin for fiscal 2016 was 40.2% compared to 40.3% for fiscal 2015. This slight decrease was primarily due to cash and non-cash expenses related to the Business Combination (including intangible amortization and stock-based compensation) and average selling price erosion. This decrease was offset by increased revenue and profitability resulting from the addition of TriQuint's operations as well as the synergies created from the Business Combination, a favorable change in product mix towards higher margin products and manufacturing- and sourcing-related cost reductions.

- Our operating income was $12.0 million in fiscal 2016 as compared to $122.5 million in fiscal 2015. This decrease was primarily due to cash and non-cash expenses related to the Business Combination (including intangible amortization and stock-based compensation) and average selling price erosion and was partially offset by increased revenue and profitability resulting from the addition of TriQuint's operations and by a favorable change in product mix towards higher margin products.

- Our net loss per diluted share was $0.20 for fiscal 2016 compared to net income per diluted share of $2.11 for fiscal 2015.

- We generated positive cash flow from operations of $687.9 million for fiscal 2016 as compared to $305.6 million for fiscal 2015. This year-over-year increase was primarily attributable to improved profitability resulting from the addition of TriQuint's operations exclusive of non-cash Business Combination expenses.

- Capital expenditures totaled $315.6 million in fiscal 2016 as compared to $169.9 million in fiscal 2015, with the increase primarily related to projects for increasing premium filter capacity as well as for manufacturing cost savings initiatives.

- During fiscal 2016, we completed the sale of $450.0 million aggregate principal amount of 6.75% senior notes due December 1, 2023 (the “2023 Notes”) and $550.0 million aggregate principal amount of 7.00% senior notes due December 1, 2025 (the “2025 Notes” and, together with the 2023 Notes, the “Notes”), and recorded $25.8 million of related interest expense (which was offset by $5.2 million of capitalized interest).

- During fiscal 2016, we repurchased approximately 24.3 million shares of our common stock for approximately $1,300.0 million as compared to 0.8 million shares repurchased for approximately $50.9 million during fiscal 2015.

- During fiscal 2016, we recorded integration and restructuring expenses totaling $36.6 million related to the Business Combination as compared to acquisition, integration and restructuring expenses totaling $54.4 million in fiscal 2015.

RESULTS OF OPERATIONS

Consolidated

The following table presents a summary of our results of operations for fiscal years 2016, 2015 and 2014:

	2016		2015		2014	
(In thousands, except percentages)	Dollars	% of Revenue	Dollars	% of Revenue	Dollars	% of Revenue
Revenue	$ 2,610,726	100.0%	$ 1,710,966	100.0%	$ 1,148,231	100.0%
Cost of goods sold	1,561,173	59.8	1,021,658	59.7	743,304	64.7
Gross profit	1,049,553	40.2	689,308	40.3	404,927	35.3
Research and development	448,763	17.2	257,494	15.0	197,269	17.2
Marketing and selling	420,467	16.1	164,657	9.6	74,672	6.5
General and administrative	113,632	4.3	85,229	5.0	76,732	6.7
Other operating expense	54,723	2.1	59,462	3.5	28,913	2.5
Operating income	$ 11,968	0.5%	$ 122,466	7.2%	$ 27,341	2.4%

Revenue

Our overall revenue increased $899.8 million, or 52.6%, in fiscal 2016 as compared to fiscal 2015, primarily because fiscal 2015 included only three months of TriQuint revenue.

Our overall revenue increased $562.7 million, or 49.0%, in fiscal 2015 as compared to fiscal 2014. The increase in revenue was primarily due to the inclusion of TriQuint revenue for the Post-Combination Period and increased demand for our cellular RF solutions for smartphones.

We sold our products to our largest end customer through multiple contract manufacturers, which in the aggregate, accounted for approximately37%, 32% and 20% of total revenue in fiscal years 2016, 2015 and 2014, respectively. Huawei Technologies Co., Ltd. accounted for approximately 12%, 7% and 4% of our total revenue in fiscal years 2016, 2015 and 2014, respectively. Samsung Electronics, Co., Ltd. (Samsung), accounted for approximately 7%, 14% and 25% of our total revenue in fiscal years 2016, 2015 and 2014, respectively. The majority of the revenue from these customers was from our mobile product sales. No other customer accounted for more than 10% of our total revenue in any of the last three fiscal years.

International shipments amounted to $2,304.4 million in fiscal 2016 (approximately 88% of revenue) compared to $1,395.2 million in fiscal 2015 (approximately 82% of revenue) and $805.4 million in fiscal 2014 (approximately 70% of revenue). Shipments to Asia totaled $2,162.1 million in fiscal 2016 (approximately 83% of revenue) compared to $1,282.2 million in fiscal 2015 (approximately 75% of revenue) and $756.1 million in fiscal 2014 (approximately 66% of revenue).

Gross Margin

Our overall gross margin for fiscal 2016 was 40.2% as compared to 40.3% in fiscal 2015. This slight decrease was primarily due to cash and non-cash expenses related to the Business Combination (including intangible amortization and stock-based compensation) and average selling price erosion. This decrease was offset by increased revenue and profitability resulting from the addition of TriQuint's operations as well as the synergies created from the Business Combination, a favorable change in product mix towards higher margin products and manufacturing- and sourcing-related cost reductions.

Our overall gross margin for fiscal 2015 increased to 40.3% as compared to 35.3% in fiscal 2014. This increase was primarily due to a favorable change in product mix towards higher margin products and manufacturing- and sourcing-related cost reductions. The increase was partially offset by expenses related to the Business Combination (including intangible amortization and inventory step-up), and average selling price erosion.

Operating Expenses

Research and Development

In fiscal 2016, R&D expenses increased $191.3 million, or 74.3%, compared to fiscal 2015, primarily due to the inclusion of TriQuint R&D expenses for a full fiscal year (fiscal 2015 included only three months of TriQuint expenses) and increases in headcount and product development costs related to new mobile products.

In fiscal 2015, R&D expenses increased $60.2 million, or 30.5%, compared to fiscal 2014, primarily due to the inclusion of TriQuint R&D expenses for the Post-Combination Period.

Marketing and Selling

In fiscal 2016, marketing and selling expenses increased $255.8 million, or 155.4%, compared to fiscal 2015, primarily due to marketing-related intangible asset amortization resulting from the Business Combination and the addition of TriQuint marketing and selling expenses for a full fiscal year (fiscal 2015 included only three months of TriQuint expenses).

In fiscal 2015, marketing and selling expenses increased $90.0 million, or 120.5%, compared to fiscal 2014, primarily due to the inclusion of TriQuint marketing and selling expenses for the Post-Combination Period.

General and Administrative

In fiscal 2016, general and administrative expenses increased $28.4 million, or 33.3%, compared to fiscal 2015, due to the inclusion of TriQuint general and administrative expenses for a full fiscal year (fiscal 2015 included only three months of TriQuint expenses).

In fiscal 2015, general and administrative expenses increased $8.5 million, or 11.1%, compared to fiscal 2014. This increase was due to the inclusion of TriQuint general and administrative expenses for the Post-Combination Period and was partially offset by decreased consulting expenses and IP-related legal expenses as compared to fiscal 2014.

Other Operating Expense

In fiscal 2016, other operating expenses were $54.7 million, as compared to $59.5 million for fiscal 2015. In fiscal 2016, we recorded integration costs of $26.5 million and restructuring costs of $10.1 million (including stock-based compensation) associated with the Business Combination, as well as $14.1 million of start-up costs related to new processes and operations in both existing and new facilities. In fiscal 2015, other operating expenses included acquisition costs of $12.2 million, integration costs of $31.3 million, and restructuring costs of $10.9 million associated with the Business Combination.

Operating Income

Our overall operating income was $12.0 million for fiscal 2016 as compared to $122.5 million for fiscal 2015. This decrease was primarily due to costs related to the Business Combination (including intangible amortization and stock-based compensation) and average selling price erosion and was partially offset by increased revenue and profitability resulting from the addition of TriQuint's operations as well as the synergies created from the Business Combination, a favorable change in product mix towards higher margin products and manufacturing- and sourcing-related cost reductions.

Our overall operating income was $122.5 million for fiscal 2015 as compared to $27.3 million for fiscal 2014. This increase in operating income was primarily due to higher revenue and improved gross margin, which were partially offset by costs related to the Business Combination (including intangible amortization expense of the acquired intangible assets, inventory step-up, stock-based compensation related to the Business Combination, integration, acquisition and restructuring expenses).

Segment Product Revenue, Operating Income and Operating Income as a Percentage of Revenue

Mobile Products

	Fiscal Year		
	2016	**2015**	**2014**
(In thousands, except percentages)			
Revenue	$ 2,083,334	$ 1,395,035	$ 935,313
Operating income	$ 591,751	$ 404,382	$ 109,862
Operating income as a % of revenue	28.4%	29.0%	11.7%

MP revenue increased $688.3 million, or 49.3%, in fiscal 2016 as compared to fiscal 2015 (fiscal 2015 included only three months of TriQuint revenue).

The decrease in MP operating income as a percentage of revenue in fiscal 2016 as compared to fiscal 2015 was primarily due to increased expenses related to the development of new mobile products, partially offset by higher gross margins (resulting from a favorable change in product mix towards higher margin products and manufacturing- and sourcing-related cost reductions, which were partially offset by average selling price erosion).

MP revenue increased $459.7 million, or 49.2%, in fiscal 2015 as compared to fiscal 2014. The increase in revenue is primarily due to the inclusion of TriQuint revenue for the Post-Combination Period and increased demand for our cellular RF solutions for smartphones.

MP operating income increased $294.5 million, or 268.1%, in fiscal 2015 as compared to fiscal 2014, primarily due to higher revenue and improved gross margin resulting from a favorable change in product mix towards higher margin products and manufacturing- and sourcing-related cost reductions, which were partially offset by average selling price erosion.

Infrastructure and Defense Products

	Fiscal Year		
	2016	2015	2014
(In thousands, except percentages)			
Revenue	$ 523,512	$ 313,274	$ 212,897
Operating income	$ 108,370	$ 72,262	$ 32,315
Operating income as a % of revenue	20.7%	23.1%	15.2%

IDP revenue increased $210.2 million, or 67.1%, in fiscal 2016 as compared to fiscal 2015 (fiscal 2015 included only three months of TriQuint revenue).

The decrease in IDP operating income as a percentage of revenue in fiscal2016 as compared to fiscal 2015 was primarily due to lower gross margins resulting from decreased demand for wireless infrastructure products during the first half of fiscal 2016. The demand for wireless infrastructure products began to show signs of recovery in the third quarter of fiscal 2016 and continued to improve in the fourth quarter of fiscal 2016.

IDP revenue increased $100.4 million, or 47.1%, in fiscal 2015 as compared to fiscal 2014. The increase in revenue was primarily due to the inclusion of TriQuint revenue for the Post-Combination Period and increased demand for our wireless infrastructure products.

IDP operating income increased $39.9 million, or 123.6%, in fiscal 2015 as compared to fiscal 2014, primarily due to improved gross margin resulting from manufacturing- and sourcing-related cost reductions and a favorable shift in product mix towards higher margin wireless infrastructure products, which was partially offset by average selling price erosion.

See Note 15 of the Notes to the Consolidated Financial Statements in Part II, Item 8 of this report for a reconciliation of segment operating income to the consolidated operating income for fiscal years 2016, 2015 and 2014.

OTHER (EXPENSE) INCOME AND INCOME TAXES

	Fiscal Year		
(In thousands)	2016	2015	2014
Interest expense	$ (23,316)	$ (1,421)	$ (5,983)
Interest income	2,068	450	179
Other income (expense)	6,418	(254)	2,336
Income tax (expense) benefit	(25,983)	75,062	(11,231)

Interest expense

During the third quarter of fiscal 2016, we issued $1.0 billion of Notes and recognized $25.8 million of related interest expense. Interest expense in the preceding table for fiscal 2016 is net of capitalized interest of $5.2 million. In fiscal 2017, we will record a full year of interest expense related to the Notes of approximately $69.9 million, which will be partially offset by interest capitalized to property and equipment. Interest on the Notes is payable semi-annually on June 1 and December 1 of each year, commencing on June 1, 2016, and will result in payments totaling approximately $71.2 million in fiscal 2017. In fiscal 2015, our 1.00% Convertible Subordinated Notes due 2014 (the "2014 Notes") became due (on April 15, 2014) and the remaining principal balance of $87.5 million plus interest of $0.4 million was paid with cash on hand.

Other income (expense)

Other income (expense) increased for fiscal 2016, primarily due to a gain recognized from the sale of equity securities.

Income taxes

Income tax expense for fiscal 2016 was $26.0 million, which is primarily comprised of tax expense related to international operations and tax expense of $25.1 million related to an increase in the valuation allowance against domestic state tax net operating loss and credit deferred tax assets and foreign net operating loss deferred tax assets, offset by a tax benefit arising from domestic operations. For fiscal 2016, this resulted in an annual effective tax rate of(908.0)%.

In comparison, income tax benefit for fiscal 2015 was $75.1 million, which was primarily comprised of tax expense related to domestic and international operations offset by a tax benefit of $135.8 million related to a decrease in the valuation allowance against domestic deferred tax assets. For fiscal 2015, this resulted in an annual effective tax rate of (61.9)%.

Income tax expense for fiscal 2014 was $11.2 million, which was primarily comprised of tax expense related to international operations. For fiscal 2014, this resulted in an annual effective tax rate of 47.1%.

A valuation allowance has been established against deferred tax assets in the taxing jurisdictions where, based upon the positive and negative evidence available, it is more likely than not that the related deferred tax assets will not be realized. Realization is dependent upon generating future income in the taxing jurisdictions in which the operating loss carryovers, credit carryovers, depreciable tax basis, and other tax deferred assets exist. It is management's intent to reevaluate the ability to realize the benefit of these deferred tax assets on a quarterly basis. As of the end of fiscal years 2016, 2015 and 2014, the valuation allowance against domestic and foreign deferred tax assets was $34.7 million, $13.8 million, and $143.3 million, respectively.

The valuation allowance against net deferred tax assets increased in fiscal 2016 by $20.9 million. The increase was comprised primarily of a $20.2 million increase in the valuation allowance for state deferred tax assets for net operating losses and tax credits, a $5.0 million increase in the valuation allowance for foreign net operating loss deferred tax assets, and a $4.3 million decrease in the valuation allowance related to a deferred tax asset recorded in the initial purchase price accounting for the Business Combination. The Business Combination adjustment related to a deferred tax asset which was recorded during fiscal 2015 in the initial purchase price accounting with a full valuation allowance, but which deferred tax asset was determined in fiscal 2016 to not exist as of the acquisition date. Accordingly, in fiscal 2016, that deferred tax asset was removed along with the offsetting deferred tax asset valuation allowance. During fiscal 2016, North Carolina enacted legislation to reduce the corporate income tax rate from 5% to 4% and phase-in over a three-year period a move to a single sales factor apportionment methodology. In addition, the Company underwent operational changes to leverage existing resources and capabilities of its Singapore subsidiary and consolidate operations and responsibilities associated with its foreign back-end manufacturing operations and foreign customers in that Singapore subsidiary. Together these changes result in a significant decrease in the amount of future taxable income expected to be allocated to North Carolina and the other states in which the net operating loss and credit carryovers exist. As a result, it is no longer more likely than not that those state net operating loss and credit carryovers for which a valuation allowance is being provided will be used before they expire. The foreign net operating losses relate to the China subsidiary which owns the new internal assembly and test facility that became operational during the current fiscal year and has incurred losses since inception. At the end of fiscal 2016, a $5.2 million valuation allowance remained against foreign net deferred tax assets and a $29.5 million valuation allowance remained against domestic deferred tax assets as it is more likely than not that the related deferred tax assets will not be realized, effectively increasing the domestic net deferred tax liabilities.

The valuation allowance against net deferred tax assets decreased in fiscal 2015 by $129.5 million. The decrease was comprised of $135.7 million for domestic deferred tax assets for which realization is now more likely than not with the increase in domestic deferred tax liabilities related to domestic amortizable intangible assets arising in connection with the Business Combination and other changes in the net deferred tax assets for foreign subsidiaries during the fiscal year, offset by an increase of $6.2 million related to deferred tax assets acquired in the Business Combination which are not more likely than not of being realized. At the end of fiscal 2015, a $0.2 million valuation allowance remained against foreign net deferred tax assets and a $13.6 million valuation allowance remained against domestic deferred tax assets as it is more likely than not that the related deferred tax assets will not be realized, effectively increasing the domestic net deferred tax liabilities.

The valuation allowance against net deferred tax assets increased in fiscal2014 by $20.9 million from the $164.2 million balance as of the end of fiscal 2013. The decrease was comprised of the reversal of the $12.0 million U.K. valuation allowance established during fiscal 2013 and $15.1 million related to deferred tax assets used against deferred intercompany profits, offset by increases related to a $3.4 million adjustment in the net operating losses acquired in the acquisition of Amalfi Semiconductor, Inc. ("Amalfi") and $2.8 million for other changes in net deferred tax assets for domestic and other foreign subsidiaries during the fiscal year. The U.K. valuation allowance was reversed in connection with the sale of the U.K. manufacturing facility in fiscal 2014 and the write-off of the remaining U.K. deferred tax assets.

As of April 2, 2016, we had federal loss carryovers of approximately $220.5 million that expire in fiscal years 2017 to 2035 if unused and state losses of approximately $173.5 million that expire in fiscal years 2017 to 2035 if unused. Federal research credits of $94.3 million, federal foreign tax credits of $4.9 million, and state credits of $52.4 million may expire in fiscal years 2018 to 2036, 2017 to 2026, and 2017 to 2031, respectively. Federal alternative minimum tax credits of $3.2 million carry forward indefinitely. Included in the amounts above are certain net operating losses and other tax attribute assets acquired in conjunction with the acquisitions of Filtronic Compound Semiconductors, Limited; Sirenza Microdevices, Inc.; Silicon Wave, Inc.; Amalfi; and the Business Combination in prior years. The utilization of these acquired domestic tax assets is subject to certain annual limitations as required under Internal Revenue Code Section 382 and similar state income tax provisions.

Our gross unrecognized tax benefits totaled $69.1 million as of April 2, 2016, $59.4 million as of March 28, 2015, and $39.4 million as of March 29, 2014. Of these amounts, $64.2 million (net of federal benefit of state taxes), $55.0 million (net of federal benefit of state taxes), and $30.9 million (net of federal benefit of state taxes) as of April 2, 2016, March 28, 2015, and March 29, 2014, respectively, represent the amounts of unrecognized tax benefits that, if recognized, would impact the effective tax rate in each of the fiscal years.

It is our policy to recognize interest and penalties related to uncertain tax positions as a component of income tax expense. During fiscal years 2016, 2015 and 2014, we recognized $1.6 million, $1.2 million and $0.9 million, respectively, of interest and penalties related to uncertain tax positions. Accrued interest and penalties related to unrecognized tax benefits totaled $5.0 million, $3.4 million, and $2.3 million as of April 2, 2016, March 28, 2015, and March 29, 2014, respectively. Within the next 12 months, we believe it is reasonably possible that only a minimal amount of gross unrecognized tax benefits will be reduced as a result of reductions for tax positions taken in prior years where the only uncertainty was related to the timing of the tax deduction.

STOCK-BASED COMPENSATION

Under Financial Accounting Standards Board ("FASB") ASC 718, *"Compensation – Stock Compensation,"* stock-based compensation cost is measured at the grant date, based on the estimated fair value of the award using an option pricing model for stock options (Black-Scholes) and market price for restricted stock units, and is recognized as expense over the employee's requisite service period.

As of April 2, 2016, total remaining unearned compensation cost related to nonvested restricted stock units and options was$78.9 million, which will be amortized over the weighted-average remaining service period of approximately 1.2 years.

LIQUIDITY AND CAPITAL RESOURCES

Cash generated by operations is our primary source of liquidity. As of April 2, 2016, we had working capital of approximately $1,135.4 million, including $425.9 million in cash and cash equivalents, compared to working capital at March 28, 2015, of $1,174.8 million, including $299.8 million in cash and cash equivalents.

Our total cash, cash equivalents and short-term investments were$612.7 million as of April 2, 2016. This balance includes approximately $205.2 million held by our foreign subsidiaries. If all of these funds held by our foreign subsidiaries are needed for our operations in the U.S., we would be required to accrue and pay U.S. taxes to repatriate these funds. We currently expect to reinvest these funds outside of the U.S. permanently and do not expect to repatriate them to fund our U.S. operations.

Stock Repurchase

On November 5, 2015, we announced that our Board of Directors authorized a new share repurchase program to repurchase up to $1.0 billion of our outstanding common stock through November 4, 2016.

On February 16, 2016, we entered into variable maturity accelerated share repurchase (ASR) agreements (a $250.0 million collared agreement and a $250.0 million uncollared agreement) with Bank of America, N.A. These agreements are part of our $1.0 billion share repurchase program described above. For the upfront payment of $500.0 million, we received 3.1 million shares of our common stock under the collared agreement (representing 50% of the shares we would have repurchased assuming an average share price of $40.78) and 4.9 million shares of our common stock under the uncollared agreement (representing 80% of the shares we would have repurchased assuming an average share price of $40.78). On March 10, 2016, we received an additional 2.0 million shares of our common stock under the collared agreement. Final settlements of the ASR agreements are expected to be completed in the first quarter of fiscal 2017.

In addition to the 10.0 million shares of our common stock that we repurchased under the ASR agreements for $500.0 million, we repurchased 4.6 million shares of our common stock on the open market for $250.0 million (under the $1.0 billion share repurchase program) in the third quarter of fiscal 2016. As of April 2, 2016, a total of $250.0 million remains authorized under this program for future repurchases.

In fiscal 2016, we also repurchased 9.7 million shares of our common stock for approximately $550.0 million under a $200.0 million program authorized in February 2015 and a $400.0 million program authorized in August 2015.

Cash Flows from Operating Activities

Operating activities in fiscal 2016 provided cash of $687.9 million, compared to $305.6 million in fiscal 2015. This year-over-year increase was primarily attributable to improved profitability from the addition of TriQuint's operations exclusive of non-cash Business Combination expenses.

Cash Flows from Investing Activities

Net cash used in investing activities in fiscal 2016 was $278.7 million, compared to $63.9 million in fiscal 2015. This increase was due to higher capital expenditures (primarily related to projects for increasing premium filter capacity as well as for manufacturing cost savings initiatives), which was partially offset by increased proceeds from maturities of available-for-sale securities in fiscal 2016 as compared to fiscal 2015. In fiscal 2015, the Business Combination accounted for an increase in cash provided by investing activities of approximately $224.3 million.

Cash Flows from Financing Activities

Net cash used in financing activities in fiscal 2016 was $282.9 million, compared to $112.9 million in fiscal 2015. This increase in net cash used in financing activities was primarily due to the repurchase of 24.3 million shares of our common stock for approximately $1,300.0 million, which was partially offset by the net proceeds from the issuance of our Notes of approximately $987.8 million. During fiscal 2015, the remaining principal balance of the 2014 Notes of $87.5 million was paid.

Our future capital requirements may differ materially from those currently anticipated and will depend on many factors, including market acceptance of and demand for our products, acquisition opportunities, technological advances and our relationships with suppliers and customers. Based on current and projected levels of cash flow from operations, coupled with our existing cash and cash equivalents and our revolving credit facility, we believe that we have sufficient liquidity to meet both our short-term and long-term cash requirements. However, if there is a significant decrease in demand for our products, or in the event that growth is faster than we had anticipated, operating cash flows may be insufficient to meet our needs. If existing resources and cash from operations are not sufficient to meet our future requirements or if we perceive conditions to be favorable, we may seek additional debt or equity financing. We cannot be sure that any additional equity or debt financing will not be dilutive to holders of our common stock. Further, we cannot be sure that additional equity or debt financing, if required, will be available on favorable terms, if at all.

IMPACT OF INFLATION

We do not believe that the effects of inflation had a significant impact on our revenue or operating income during fiscal years2016, 2015 and 2014. Our financial results in fiscal 2017 could be adversely affected by wage and commodity price inflation (including precious metals).

OFF-BALANCE SHEET ARRANGEMENTS

As of April 2, 2016, we had no off-balance sheet arrangements as defined in Item 303(a)(4)(ii) of SEC Regulation S-K.

CONTRACTUAL OBLIGATIONS

The following table summarizes our significant contractual obligations and commitments (in thousands) as ofApril 2, 2016, and the effect such obligations are expected to have on our liquidity and cash flows in future periods.

	Payments Due By Period				
	Total Payments	**Fiscal 2017**	**Fiscal 2018-2019**	**Fiscal 2020-2021**	**Fiscal 2022 and thereafter**
Capital commitments	$ 103,898	$ 103,879	$ 19	$ —	$ —
Long-term debt obligations	1,630,296	71,171	137,750	137,750	1,283,625
Operating leases	52,352	12,012	16,122	8,770	15,448
Purchase obligations	106,048	105,994	54	—	—
Cross-licensing liability	15,420	2,540	4,480	5,400	3,000
Deferred compensation	6,468	505	978	596	4,389
Total	$ 1,914,482	$ 296,101	$ 159,403	$ 152,516	$ 1,306,462

Capital Commitments

On April 2, 2016, we had capital commitments of approximately $103.9 million, primarily related to projects for increasing manufacturing capacity, as well as for equipment replacements, equipment for process improvements and general corporate requirements. In addition to the capital commitments included in the table above, in the first quarter of fiscal 2017, we committed an aggregate of approximately $200.0 million in connection with signing a definitive agreement to acquire a privately-held technology company, acquiring a wafer fabrication facility which we currently plan to use to expand our BAW filter capacity (including equipment) and starting construction of a new office and design center.

Long-Term Debt

On November 19, 2015, we completed the offering of the Notes, which were sold in the United States to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended (the “Securities Act”), and outside the United States pursuant to Regulation S under the Securities Act. The Notes were issued pursuant to an indenture, dated as of November 19, 2015 (the “Indenture”), by and among the Company, our domestic subsidiaries that guarantee our obligations under our revolving credit facility, as guarantors (the “Guarantors”), and MUFG Union Bank, N.A., as trustee. Interest is payable on the 2023 Notes at a rate of 6.75% per annum and on the 2025 Notes at a rate of 7.00% per annum. Interest on both series of Notes is payable semi-annually on June 1 and December 1 of each year, commencing on June 1, 2016.

At any time prior to December 1, 2018, we may redeem all or part of the 2023 Notes, at a redemption price equal to their principal amount, plus a “make whole” premium as of the redemption date, and accrued and unpaid interest. In addition, at any time prior to December 1, 2018, we may redeem up to 35% of the original aggregate principal amount of the 2023 Notes with the proceeds of one or more equity offerings, at a redemption price equal to 106.75%, plus accrued and unpaid interest. Furthermore, at any time on or after December 1, 2018, we may redeem the 2023 Notes, in whole or in part, at once or over time, at the specified redemption prices set forth in the Indenture plus accrued and unpaid interest thereon to the redemption date (subject to the rights of holders of record on the relevant record date to receive interest due on the relevant interest payment date).

At any time prior to December 1, 2020, we may redeem all or part of the 2025 Notes, at a redemption price equal to their principal amount, plus a “make whole” premium as of the redemption date, and accrued and unpaid interest. In addition, at any time prior to December 1, 2018, we may redeem up to 35% of the original aggregate principal amount of the 2025 Notes with the proceeds of one or more equity offerings, at a redemption price equal to 107.00%, plus accrued and unpaid interest. Furthermore, at any time on or after December 1, 2020, we may redeem the 2025 Notes, in whole or in part, at once or over time, at the specified redemption prices set forth in the Indenture plus accrued and unpaid interest thereon to the redemption date (subject to the rights of holders of record on the relevant record date to receive interest due on the relevant interest payment date).

The Indenture contains customary events of default, including, among other things, payment default, exchange default, failure to provide certain notices thereunder and certain provisions related to bankruptcy events. The Indenture also contains customary negative covenants.

The Notes have not been registered under the Securities Act, or any state securities laws, and, unless so registered, may not be offered or sold in the United States absent registration or an applicable exemption from the registration requirements of the Securities Act and applicable state securities laws.

Operating Leases

We lease certain of our corporate, wafer fabrication and other facilities from multiple third-party real estate developers. The remaining terms of these operating leases range from less than one year to 12 years. Several have renewal options of up to two ten-year periods and several also include standard inflation escalation terms. Several also include rent escalation, rent holidays and leasehold improvement incentives, which are recognized to expense on a straight-line basis. The amortization period of leasehold improvements made either at the inception of the lease or during the lease term is amortized over the lesser of the remaining life of the lease term (including renewals that are reasonably assured) or the useful life of the asset. We also lease various machinery and equipment and office equipment under non-cancelable operating leases. The remaining terms of these operating leases range from less than one year to approximately three years. As of April 2, 2016, the total future minimum lease payments related to facility and equipment operating leases is approximately $52.4 million.

Purchase Obligations

Our purchase obligations, totaling approximately $106.0 million, are primarily for the purchase of raw materials and manufacturing services that are not recorded as liabilities on our balance sheet because we had not received the related goods or services as of April 2, 2016.

Cross-Licensing Agreements

The cross-licensing liability represents payables under a cross-licensing agreement and are included in "Accrued liabilities" and "Other long-term liabilities" on the Consolidated Balance Sheet as of April 2, 2016.

Deferred Compensation

Commitments for deferred compensation represents the liability under our Non-Qualified Deferred Compensation Plan (the "NDCP"). The NDCP provides eligible employees and members of the Board of Directors with the opportunity to defer a specified percentage of their cash compensation. The deferred earnings are invested at the discretion of each participating employee or director and the deferred compensation we are obligated to deliver is adjusted for increases or decreases in the deferred amount due to such investment. The current portion and non-current portion of the deferred compensation obligation is included in "Accrued liabilities" and "Other long-term liabilities" in the Consolidated Balance Sheets.

Other Contractual Obligations

As of April 2, 2016, in addition to the amounts shown in the Contractual Obligations table above, we had $74.1 million of unrecognized income tax benefits and accrued interest, of which $12.4 million had been recorded as a liability. We are uncertain as to if, or when, such amounts may be settled.

As discussed in Note 8 of the Notes to the Consolidated Financial Statements in Part II, Item 8 of this report, we have two pension plans in Germany with a combined benefit obligation of approximately $11.3 million as of April 2, 2016. Pension benefit payments are not included in the schedule above as they are not available for all periods presented. Pension benefit payments were less than $0.2 million in fiscal 2016 and are expected to be similar in fiscal 2017.

Credit Agreement

On April 7, 2015, we and our Guarantors entered into a five-year unsecured senior credit facility with Bank of America, N.A., as administrative agent (in such capacity, the "Administrative Agent"), swing line lender, and
L/C issuer, and a syndicate of lenders (the "Credit Agreement"). The Credit Agreement includes a $300.0 million revolving credit facility, which includes a $25.0 million sublimit for the issuance of standby letters of credit and a $10.0 million sublimit for swing line loans. We may request, at any time and from time to time, that the revolving credit facility be increased by an amount not to exceed $150.0 million. The revolving credit facility is available to finance working capital, capital expenditures and other corporate purposes. Our obligations under the Credit Agreement are jointly and severally guaranteed by the Guarantors. As of April 2, 2016, we have no outstanding amounts under the Credit Agreement.

At our option, loans under the Credit Agreement will bear interest at (i) the Applicable Rate (as defined in the Credit Agreement) plus the Eurodollar Rate (as defined in the Credit Agreement) or (ii) the Applicable Rate plus a rate equal to the highest of (a) the federal funds rate plus 0.50%, (b) the prime rate of the Administrative Agent, or (c) the Eurodollar Base Rate plus 1.0% (the "Base Rate"). All swing line loans will bear interest at a rate equal to the Applicable Rate plus the Base Rate. The Eurodollar Base Rate is the rate per annum equal to the London Interbank Offered Rate, as published by Bloomberg, for dollar deposits for interest periods of one, two, three or six months, as selected by us. The Applicable Rate for Eurodollar Rate loans ranges from 1.50% per annum to 2.00% per annum. The Applicable Rate for Base Rate loans ranges from 0.50% per annum to 1.00% per annum. Interest for Eurodollar Rate loans will be payable at the end of each applicable interest period or at three-month intervals, if such interest period exceeds three months. Interest for Base Rate loans will be payable quarterly in arrears. We will pay a letter of credit fee equal to the Applicable Rate multiplied by the daily amount available to be drawn under any letter of credit, a fronting fee, and any customary documentary and processing charges for any letter of credit issued under the Credit Agreement.

The Credit Agreement contains various conditions, covenants and representations with which we must be in compliance in order to borrow funds and to avoid an event of default, including financial covenants that we must maintain. On November 12, 2015, the Credit Agreement was amended to increase the size of certain of the negative covenant baskets and the threshold for certain negative covenant incurrence-based permissions and to raise the consolidated leverage ratio test from 2.50 to 1.00 to 3.00 to 1.00 as of the end of any fiscal quarter. We must also maintain a consolidated interest coverage ratio of not less than 3.00 to 1.00 as of the end of any fiscal quarter.

The Credit Agreement also contains customary events of default, and the occurrence of an event of default will increase the applicable rate of interest by 2.00% and could result in the termination of commitments under the revolving credit facility, the declaration that all outstanding loans are due and payable in whole or in part and the requirement of cash collateral deposits in respect of outstanding letters of credit. Outstanding amounts are due in full on the maturity date of April 7, 2020 (with amounts borrowed under the swing line option due in full no later than ten business days after such loan is made).

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of consolidated financial statements requires management to use judgment and estimates. The level of uncertainty in estimates and assumptions increases with the length of time until the underlying transactions are completed. Actual results could differ from those estimates. The accounting policies that are most critical in the preparation of our consolidated financial statements are those that are both important to the presentation of our financial condition and results of operations and require significant judgment and estimates on the part of management. Our critical accounting policies are reviewed periodically with the Audit Committee of the Board of Directors. We also have other policies that we consider key accounting policies; however, these policies typically do not require us to make estimates or judgments that are difficult or subjective (see Note 1 of the Notes to the Consolidated Financial Statements in Part II, Item 8 of this report).

Inventory Reserves. The valuation of inventory requires us to estimate obsolete or excess inventory. The determination of obsolete or excess inventory requires us to estimate the future demand for our products within specific time horizons, generally 12 to 24 months. The estimates of future demand that we use in the valuation of inventory reserves are the same as those used in our revenue forecasts and are also consistent with the estimates used in our manufacturing plans to enable consistency between inventory valuations and build decisions. Product-specific facts and circumstances reviewed in the inventory valuation process include a review of the customer base, market conditions, and customer acceptance of our products and technologies, as well as an assessment of the selling price in relation to the product cost.

Historically, inventory reserves have fluctuated as new technologies have been introduced and customers' demand has shifted. Inventory reserves had approximately a 1% or lower impact on margins in fiscal years 2016, 2015 and 2014.

Revenue Recognition. Net revenue is generated principally from sales of semiconductor products. We recognize revenue from product sales when the fundamental criteria are met, such as the time at which the title and risk and rewards of product ownership are transferred to the customer, price and terms are fixed or determinable, no significant vendor obligation exists and collection of the resulting receivable is reasonably assured.

Sales of products are generally made through either our sales force, manufacturers' representatives or through a distribution network. Revenue from the majority of our products is recognized upon shipment of the product to the customer from a Company-owned or third-party location. Some revenue is recognized upon receipt of the shipment by the customer. We have limited rebate programs offering price protection to certain distributors. These rebates represent less than 3% of net revenue and can be reasonably estimated based on specific criteria included in the rebate agreements and other known factors at the time. We reduce revenue and record reserves for product returns and allowances for price protection and stock rotation based on historical experience or specific identification depending on the contractual terms of the arrangement.

We also recognize a portion of our net revenue through other agreements such as non-recurring engineering fees, contracts for R&D work, royalty income, intellectual property (IP) revenue, and service revenue. These agreements are collectively less than 1% of consolidated revenue on an annual basis. Revenue from these agreements is recognized when the service is completed or upon certain milestones, as provided for in the agreements.

Revenue from certain contracts is recognized on the percentage of completion method based on the costs incurred to date and the total contract amount, plus the contractual fee. If these contracts experience cost overruns, the percentage of completion method is used to determine revenue recognition. Revenue from fixed price contracts is recognized when the required deliverable is satisfied.

Royalty income is recognized based on a percentage of sales of the relevant product reported by licensees during the period.

In addition, we license or sell our rights to use portions of our IP portfolio, which includes certain patent rights useful in the manufacture and sales of certain products. IP revenue recognition is dependent on the terms of each agreement. We will recognize IP revenue (i) upon delivery of the IP and (ii) if we have no substantive future obligation to perform under the arrangement. We will defer recognition of IP revenue where future performance obligations are required to earn the revenue or the revenue is not guaranteed. Revenue from services is recognized during the period that the service is performed.

Accounts receivable are recorded for all revenue items listed above and do not bear interest. We evaluate the collectability of accounts receivable based on a combination of factors. In cases where we are aware of circumstances that may impair a specific customer's ability to meet its financial obligations subsequent to the original sale, we will record an allowance against amounts due, and thereby reduce the receivable to the amount we reasonably believe will be collected. For all other customers, we recognize allowances for doubtful accounts based on the length of time the receivables are past due, industry and geographic concentrations, the current business environment and our historical experience.

Our terms and conditions do not give our customers a right of return associated with the original sale of our products. However, we will authorize sales returns under certain circumstances, which include perceived quality problems, courtesy returns and like-kind exchanges. We evaluate our estimate of returns by analyzing all types of returns and the timing of such returns in relation to the original sale. Reserves are adjusted to reflect changes in the estimated returns versus the original sale of product.

Goodwill and Intangible Assets. Goodwill is recorded when the purchase price paid for a business exceeds the estimated fair value of the net identified tangible and intangible assets acquired. Intangibles are recorded when such assets are acquired by purchase or license. The value of our intangibles, including goodwill, could be impacted by future adverse changes such as: (i) any future declines in our operating results; (ii) a decline in the value of technology company stocks, including the value of our common stock; (iii) a prolonged or more significant slowdown in the worldwide economy or the semiconductor industry; or (iv) failure to meet the performance projections included in our forecasts of future operating results.

We account for goodwill and indefinite-lived intangible assets in accordance with the FASB's guidance, which requires annual testing for impairment or whenever events or circumstances make it more likely than not that an impairment may have occurred. We perform our annual impairment tests on the first day of the fourth quarter in each fiscal year. Our indefinite-lived intangible assets consist of in-process research and development ("IPRD").

We have the option to perform a qualitative assessment (commonly referred to as "step zero") to determine whether further quantitative analysis for impairment of goodwill or indefinite-lived intangible assets is necessary. In performing step zero for our impairment test, we are required to make assumptions and judgments including but not limited to, the following: the evaluation of macroeconomic conditions as related to our business; industry and market trends; and the overall future financial performance of our reporting units and future opportunities in the markets in which they operate. We also consider recent fair value calculations of our indefinite-lived intangible assets and reporting units as well as cost factors such as changes in raw materials, labor or other costs. If the step zero analysis indicates that it is more likely than not that the fair value of a reporting unit or indefinite-lived asset is less than its respective carrying value including goodwill, then we would perform an additional quantitative analysis. For goodwill, this involves a two-step process. The first step compares the fair value of the reporting unit, including its goodwill, to its carrying value. If the carrying value of the reporting unit exceeds its fair value, then the second step of the process is performed to determine the amount of impairment. The second step compares the implied fair value of the reporting unit's goodwill to the carrying value of the goodwill. An impairment charge is recognized for the amount the carrying value of the reporting unit's goodwill exceeds its implied fair value.

For indefinite-lived intangible assets, the quantitative analysis compares the carrying value of the asset to its fair value and an impairment charge is recognized for the amount its carrying value exceeds its fair value. Determining the fair value of reporting units, indefinite-lived intangible assets and implied fair value of a reporting unit's goodwill is reliant upon estimated future revenues, profitability and cash flows and consideration of market factors. Assumptions, judgments and estimates are complex, subjective and can be affected by a variety of factors, including external factors such as industry and economic trends, and internal factors such as changes in our business strategy or our internal forecasts. Although we believe the assumptions, judgments and estimates we have made have been reasonable and appropriate, different assumptions, judgments and estimates could materially affect our results of operations.

Goodwill

Goodwill is allocated to our reporting units based on the expected benefit from the synergies of the business combinations generating the underlying goodwill. As of April 2, 2016, our goodwill balance of $2,135.7 million is allocated between our MP and IDP reporting units. For fiscal 2016, although there were no indicators of impairment, we opted to bypass the qualitative assessment and proceeded to perform fair value assessments of our reporting units (the first step of the quantitative impairment analysis) on the first day of the fourth quarter in fiscal 2016 as the fair value of the reporting units have changed (due to the Business Combination) since the last time we performed a quantitative analysis.

In performing these quantitative assessments, consistent with our historical approach, we used both the income and market approaches to estimate the fair value of our reporting units. The income approach involves discounting future estimated cash flows. The sum of the reporting unit cash flow projections was compared to our market capitalization in a discounted cash flow framework to calculate an overall implied internal rate of return (or discount rate) for the Company. Our market capitalization was adjusted to a control basis assuming a reasonable control premium, which resulted in an implied discount rate. This implied discount rate serves as a baseline for estimating the specific discount rate for each reporting unit.

The discount rate used is the value-weighted average of our estimated cost of equity and debt ("cost of capital") derived using both known and estimated customary market metrics. Our weighted average cost of capital is adjusted for each reporting unit to reflect a risk factor, if necessary, for each reporting unit. We perform sensitivity tests with respect to growth rates and discount rates used in the income approach. We believe the income approach is appropriate because it provides a fair value estimate based upon the respective reporting unit's expected long-term operations and cash flow performance.

We considered historical rates and current market conditions when determining the discount and growth rates used in our analysis. For fiscal 2016, the material assumptions used for the income approach were eight years of projected net cash flows and a long-term growth rate of 3% for both the MP and IDP reporting units. A discount rate of 15% and 16% was used for the MP and IDP reporting units, respectively.

In applying the market approach, valuation multiples are derived from historical and projected operating data of selected guideline companies, which are evaluated and adjusted, if necessary, based on the strengths and weaknesses of the reporting unit relative to the selected guideline companies. The valuation multiples are then applied to the appropriate historical and/or projected operating data of the reporting unit to arrive at an indication of fair value. We believe the market approach is appropriate because it provides a fair value using multiples from companies with operations and economic characteristics similar to our reporting units. We weighted the results of the income approach and the results of the market approach at 50% each and for the MP and IDP reporting units, concluded that the fair value of the reporting units was determined to be substantially in excess of the carrying value, and as such, no further analysis was warranted.

Under the income approach described above, the following indicates the sensitivity of key assumptions utilized in the assessment. A one percentage point decrease in the discount rate would have increased the fair value of the MP and IDP reporting units by approximately $660.0 million and $140.0 million, respectively, while a one percentage point increase in the discount rate would have decreased the fair value of the MP and IDP reporting units by approximately $560.0 million and $110.0 million, respectively. A one percentage point decrease in the long-term growth rate would have decreased the fair value of the MP and IDP reporting units by approximately $290.0 million and $50.0 million, respectively, while a one percentage point increase in the long-term growth rate would have increased the fair value of the MP and IDP reporting units by approximately $340.0 million and $70.0 million, respectively.

In fiscal years 2015 and 2014, we completed our annual qualitative impairment assessments of goodwill which included but were not limited to the evaluation of macroeconomic conditions as related to our business; industry and market trends; and the overall future financial performance of our reporting units and future opportunities in the markets in which they operate. For both fiscal years 2015 and 2014, based on these assessments, we concluded that goodwill was not impaired.

We intend to resume performing qualitative assessments in future fiscal years.

Intangible Assets with Indefinite Lives

In fiscal 2015, as a result of the Business Combination, we recorded IPRD of $470.0 million. IPRD was recorded at fair value as of the date of acquisition as an indefinite-lived intangible asset until the completion or abandonment of the associated R&D efforts or impairment. The fair value of the acquired IPRD was determined based on an income approach using the "excess earnings method," which estimated the value of the intangible assets by discounting the future projected earnings of the asset to present value as of the valuation date. Upon completion of development, acquired IPRD assets are transferred to finite-lived intangible assets and amortized over their useful lives. During fiscal 2016, we completed and transferred into developed technology approximately $203.0 million of IPRD. We performed a qualitative assessment of the remaining IPRD during fiscal 2016 and concluded that IPRD was not impaired.

See Note 6 of the Notes to the Consolidated Financial Statements in Part II, Item 8 of this report for additional information regarding an impairment of assets recorded in the fourth quarter of fiscal 2014.

Intangible Assets with Definite Lives

Intangible assets are recorded when such assets are acquired by purchase or license.Finite-lived intangible assets consist primarily of technology licenses, customer relationships, developed technology, a wafer supply agreement, trade names and backlog resulting from business combinations and are subject to amortization.

Technology licenses are recorded at cost and are amortized on a straight-line basis over the lesser of the estimated useful life of the technology or the term of the license agreement, ranging from approximately five to eight years.

The fair value of customer relationships acquired during fiscal years 2013 and 2015 was determined based on an income approach using the “with and without method," in which the value of the asset is determined by the difference in discounted cash flows of the profitability of the Company "with" the asset and the profitability of the Company "without" the asset. Customer relationships are amortized on a straight-line basis over the estimated useful life, ranging from three to ten years.

The fair value of developed technology acquired during fiscal years 2013and 2015 was determined based on an income approach using the "excess earnings method," which estimated the value of the intangible assets by discounting the future projected earnings of the asset to present value as of the valuation date. Developed technology is amortized on a straight-line basis over the estimated useful life ranging from four to six years.

The fair value of the wafer supply agreement was determined using the incremental income method, which is a discounted cash flow method within the income approach. Under this method, the fair value was estimated by discounting to present value the additional savings from expense reductions in operations at a discount rate to reflect the risk inherent in the wafer supply agreement as well as any tax benefits. The wafer supply agreement was amortized on a units of use activity method over its useful life of approximately four years and was fully amortized as of April 2, 2016.

The fair value of trade names acquired in fiscal 2015 was determined based on an income approach using the "relief from royalty method," in which the value of the asset is determined by discounting the future projected cash flows generated from the trade name's estimated royalties. Trade names are amortized on a straight-line basis over the estimated useful life of three years.

The fair value of backlog acquired in fiscal 2015 was determined based on an income approach using the "excess earnings method" and was fully amortized as of April 2, 2016.

We regularly review identified intangible assets to determine if facts and circumstances indicate that the useful life is shorter than we originally estimated or that the carrying amount of the assets may not be recoverable. If such facts and circumstances exist, we assess the recoverability of identified intangible assets by comparing the projected undiscounted net cash flows associated with the related asset or group of assets over their remaining lives against their respective carrying amounts. Impairments, if any, are based on the excess of the carrying amount over the fair value of those assets and occur in the period in which the impairment determination was made.

Impairment of Long-lived Assets. We review the carrying values of all long-lived assets whenever events or changes in circumstances indicate that such carrying values may not be recoverable. Factors that we consider in deciding when to perform an impairment review include significant under-performance of a business, significant negative industry or economic trends, and significant changes or planned changes in our use of assets.

In making impairment determinations for long-lived assets, we utilize certain assumptions, including but not limited to: (i) estimations and quoted market prices of the fair market value of the assets; and (ii) estimations of future cash flows expected to be generated by these assets, which are based on additional assumptions such as asset utilization, length of service that the asset will be used in our operations and estimated salvage values.

Stock-Based Compensation. Stock-based compensation cost is measured at the grant date, based on the estimated fair value of the award using an option pricing model for stock options (Black-Scholes) and market price for restricted stock units, and is recognized as expense over the employee's requisite service period. The Black-Scholes option pricing model requires a number of assumptions, including the expected lives of stock options, the volatility of the public market price for our common stock and interest rates.

Income Taxes. In determining income for financial statement purposes, we must make certain estimates and judgments in the calculation of tax expense, the resultant tax liabilities, and in the recoverability of deferred tax assets that arise from temporary differences between the tax and financial statement recognition of revenue and expense.

As part of our financial process, we assess on a tax jurisdictional basis the likelihood that our deferred tax assets can be recovered. If recovery is not likely (a likelihood of less than 50 percent), the provision for taxes must be increased by recording a reserve in the form of a valuation allowance for the deferred tax assets that are estimated not to ultimately be recoverable. In this process, certain relevant criteria are evaluated including: the amount of income or loss in prior years, the existence of deferred tax liabilities that can be used to absorb deferred tax assets, the taxable income in prior carryback years that can be used to absorb net operating losses and credit carrybacks, future expected taxable income, and prudent and feasible tax planning strategies. Changes in taxable income, market conditions, U.S. or international tax laws, and other factors may change our judgment regarding whether we will be able to realize the deferred tax assets. These changes, if any, may require material adjustments to the net deferred tax assets and an accompanying reduction or increase in income tax expense which will result in a corresponding increase or decrease in net income in the period when such determinations are made. See Note 11 of the Notes to the Consolidated Financial Statements in Part II, Item 8 of this report for additional information regarding changes in the valuation allowance and net deferred tax assets.

As part of our financial process, we also assess the likelihood that our tax reporting positions will ultimately be sustained. To the extent it is determined it is more likely than not that a tax reporting position will ultimately not be recognized and sustained, a provision for unrecognized tax benefit is provided by either reducing the applicable deferred tax asset or accruing an income tax liability. Our judgment regarding the sustainability of our tax reporting positions may change in the future due to changes in U.S. or international tax laws and other factors. These changes, if any, may require material adjustments to the related deferred tax assets or accrued income tax liabilities and an accompanying reduction or increase in income tax expense which will result in a corresponding increase or decrease in net income in the period when such determinations are made. See Note 11 of the Notes to the Consolidated Financial Statements in Part II, Item 8 of this report for additional information regarding our uncertain tax positions and the amount of unrecognized tax benefits.

RECENT ACCOUNTING PRONOUNCEMENTS

Accounting Pronouncements Not Yet Effective

In March 2016, the FASB issued Accounting Standards Update ("ASU") 2016-09,*"Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting."* The new guidance will simplify certain aspects of accounting for share-based payment transactions, including income tax consequences, forfeitures, classification of awards on the balance sheet and presentation on the statement of cash flows. The new standard will become effective for us beginning in the first quarter of fiscal 2018. We are currently evaluating the effects this new guidance will have on our consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02,*"Leases (Topic 842)."* The new standard will revise the current guidance for lessees, lessors and sale-leaseback transactions. Under the new guidance substantially all lessees will now recognize a right-of-use asset and a lease liability for all of their leases with terms greater than 12 months even if the lease is an operating lease. Consistent with current GAAP, the recognition, measurement, and presentation of expenses and cash flow arising from a lease by a lessee primarily will depend on its classification as a finance or operating lease. The new guidance becomes effective for us in the first quarter of fiscal 2020. We are currently evaluating the effects the new guidance will have on our consolidated financial statements.

In January 2016, the FASB issued ASU 2016-01,*"Financial Instruments - Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities."* This new standard will affect the accounting for equity investments, financial liabilities measured under the fair value option and presentation and disclosure requirements for financial instruments. In addition, the FASB clarified guidance related to the assessment of valuation allowances when recognizing deferred tax assets related to unrealized losses on available-for-sale debt securities. The new standard is effective for us beginning in the first quarter of fiscal 2019. We are currently evaluating the effects this new standard will have on our consolidated financial statements.

In September 2015, the FASB issued ASU 2015-16, *"Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments."* This standard requires an acquirer in a business combination to recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. The effect on earnings of changes in depreciation, amortization or other income effects, as a result of the change in provisional amounts, are to be included in the same period's financial statements, calculated as if the accounting had been completed at the acquisition date. The amendments in this update are effective for us beginning in the first quarter of fiscal 2017 and will be applied prospectively to adjustments to provisional amounts that occur after the effective date of this ASU.

In July 2015, the FASB issued ASU 2015-11,*"Inventory (Topic 330): Simplifying the Measurement of Inventory."*Entities that measure their inventory other than the last-in, last-out and retail inventory methods will measure their inventory at the lower of cost or net realized value. Net realized value is the estimated selling price in the ordinary course of business less reasonably predictable costs to completion, transportation, or disposal. Currently, inventory is required to be measured at the lower of cost or market where market could be the replacement cost, net realizable value, or net realizable value less an approximated normal profit margin. We will adopt the provisions of this standard in the first quarter of fiscal 2018 and we are currently evaluating the effects it will have on our consolidated financial statements.

In April 2015, the FASB issued ASU 2015-05, *"Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40): Customer's Accounting for Fees Paid in a Cloud Computing Arrangement"* which provides additional guidance to customers about whether a cloud computing arrangement includes a software license. Under this guidance, if a cloud computing arrangement contains a software license, customers should account for the license element of the arrangement in a manner consistent with the acquisition of other software licenses. If the arrangement does not contain a software license, customers should account for the arrangement as a service contract. We will adopt the provisions of this standard in the first quarter of fiscal 2017, and we do not expect this new guidance to have a significant impact on our consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09,*"Revenue from Contracts with Customers (Topic 606)"* that amends existing guidance on revenue recognition. The new guidance is based on principles that an entity will recognize revenue to depict the transfer of goods and services to customers at an amount the entity expects to be entitled to in exchange for those goods and services. The guidance requires additional disclosures regarding the nature, amount, timing, and uncertainty of cash flows and both qualitative and quantitative information about contracts with customers and applied significant judgments. The FASB has issued several amendments to the new guidance. In August 2015, they delayed the effective date for adoption by one year. In March 2016, additional guidance was issued that clarifies the principal versus agent considerations within the new revenue standard. In April 2016, additional guidance was issued that clarifies the identification of distinct performance obligations in a contract as well as clarifies the accounting for licenses of intellectual property. In May 2016, additional guidance was issued related to transition, collectibility, non-cash consideration and the presentation of sales and other similar taxes. The new amended guidance will become effective for us in the first quarter of fiscal 2019, using one of two retrospective methods of adoption. We have not determined which method we will adopt and we are currently evaluating the effects the new guidance will have on our consolidated financial statements.

Accounting Pronouncements Recently Adopted

In November 2015, the FASB issued ASU 2015-17,*"Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes,"*which required entities to present deferred tax assets ("DTA") and deferred tax liabilities ("DTL") as non-current in a classified balance sheet. This ASU simplified the current guidance, which required entities to separately present DTAs and DTLs as current and non-current in a classified balance sheet. We adopted ASU 2015-17 in the third quarter of fiscal 2016, as we believed the adoption of this standard reduced the complexity of our consolidated financial statements as well as enhanced the usefulness of the related financial information. Prior periods presented in the Consolidated Balance Sheet were not retrospectively adjusted.

In April 2015, the FASB issued ASU 2015-03,*"Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs."*ASU 2015-03 required debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the related debt liability's carrying value, which is consistent with the presentation of debt discounts. We elected to early adopt this guidance in fiscal 2016, and as a result, debt issuance costs are presented as a direct deduction of Long-term debt on the Consolidated Balance Sheet.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Financial Risk Management

We are exposed to financial market risks, including changes in interest rates, currency exchange rates and certain commodity prices. The overall objective of our financial risk management program is to seek a reduction in the potential negative earnings effects from changes in interest rates, foreign exchange rates and commodity prices arising from our business activities. We manage these financial exposures through operational means and by using various financial instruments. These practices may change as economic conditions change.

Interest Rates

Available-for-sale securities
We are exposed to interest rate risk primarily from our investments in available-for-sale securities. In accordance with an investment policy approved by the Audit Committee of our Board of Directors, our available-for-sale securities are predominantly comprised of U.S. government/agency securities, money market funds and corporate debt. We continually monitor our exposure to changes in interest rates and the credit ratings of issuers with respect to our available-for-sale securities. As a result of this monitoring and volatility of the financial markets, we adopted a more conservative investment strategy, and we are currently investing in lower risk and consequently lower interest-bearing investments. Accordingly, we believe that the effects of changes in interest rates and the credit ratings of these issuers are limited and would not have a material impact on our financial condition or results of operations. However, it is possible that we would be at risk if interest rates or the credit ratings of these issuers were to change unfavorably.

At April 2, 2016, we held available-for-sale investments with an estimated fair value of$344.0 million. We do not purchase financial instruments for trading or speculative purposes. Our investments are classified as available-for-sale securities and are recorded on the balance sheet at fair value with unrealized gains and losses reported as a separate component of accumulated other comprehensive (loss) income. Our cash and cash equivalents and investments earned an average annual interest rate of less than 1% in fiscal 2016 or approximately $2.1 million in interest income. In fiscal 2015, our investments earned an average annual interest rate of approximately 0.1% or approximately $0.5 million in interest income. We do not have any investments denominated in foreign currencies and therefore are not subject to foreign currency risk on such investments.

Credit Agreement
The Credit Agreement includes a $300.0 million revolving credit facility, which includes a $25.0 million sublimit for the issuance of standby letters of credit and a $10.0 million sublimit for swing line loans. We may request, at any time and from time to time, that the revolving credit facility be increased by an amount not to exceed $150.0 million. The interest rates on this facility are variable; however, since we have no outstanding balances under the Credit Agreement, there is no interest rate risk related to this facility as of April 2, 2016.