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 fluctuations in our operating results, 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 and other 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, inaccurate product forecasts and corresponding inventory and manufacturing costs, dependence on third parties, 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, our ability to protect our intellectual property, claims of intellectual property infringement and other lawsuits, security breaches and other similar disruptions compromising our information, and the impact of government and 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, RFMD and TriQuint entered into the Merger Agreement, which provided for the combination of RFMD and TriQuint in a merger of equals and resulted in the Business Combination under a new holding company named Qorvo, Inc. 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 years of 2017 and 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 product and technology leader at the forefront of the growing global demand for always-on broadband connectivity. We combine a broad portfolio of RF solutions, highly differentiated semiconductor technologies, deep systems-level expertise and scale manufacturing to supply a diverse group of customers in expanding markets, including smartphones and other mobile devices, defense and aerospace, WiFi customer premises equipment, cellular base stations, optical networks, automotive connectivity, and smart home applications. Within these markets, our products enable a broad range of leading-edge applications - from very-high-power wired and wireless infrastructure solutions to ultra-low-power smart home solutions. Our products and technologies help transform how people around the world access their data, transact commerce, and interact with their communities.

Qorvo employs more than 8,600 people. We have world-class manufacturing facilities, and our fabrication facility in Richardson, Texas, is a U.S. DoD-accredited ‘Trusted Source’ (Category 1A) for GaAs, GaN and BAW technologies. Our design and manufacturing expertise covers many semiconductor process technologies, which we source both internally and through external suppliers. Our primary wafer fabrication facilities are in Texas, Florida, North Carolina and Oregon, and our primary assembly and test facilities are in China, Costa Rica, Germany and Texas. We also operate design, sales and manufacturing facilities throughout Asia, Europe and North America.

Business Segments

We design, develop, manufacture and market our products to leading U.S. and international OEMs and ODMs in the following operating segments:

- *Mobile Products (MP)* - MP supplies cellular RF and WiFi solutions into a variety of mobile devices, including smartphones, notebook computers, wearables, tablets, and cellular-based applications for the IoT. Mobile device manufacturers and mobile network operators are adopting new technologies to address the growing demand for data-intensive, increasingly cloud-based, distributed applications and for mobile devices with smaller form factors, improved signal quality, less heat and longer talk and standby times. New wireless communications standards are being deployed to utilize available spectrum more efficiently. Carrier aggregation is being implemented, primarily in the downlink, to support wider bandwidths, increase data rates and improve network performance. These trends increase the complexity of smartphones, require more RF content and place a premium on performance, integration, systems-level expertise, and product and technology portfolio breadth, all of which are MP strengths. We offer a comprehensive product portfolio of BAW and SAW filters, PAs, LNAs, switches, multimode multi-band PAs and transmit modules, RF power management ICs, diversity receive modules, antenna switch modules, antenna tuning and control solutions, modules incorporating PAs and duplexers and modules incorporating switches, PAs and duplexers.

- *Infrastructure and Defense Products (IDP)* - IDP is a leading global supplier of RF solutions with a diverse portfolio of solutions that "connect and protect," spanning communications, network infrastructure and defense applications. These applications include high performance defense systems such as radar, electronic warfare and communication systems, WiFi customer premises equipment for home and work, high speed connectivity in LTE and 5G base stations, cloud connectivity via data center communications and telecom transport, automotive connectivity and smart home solutions. Our IDP products include high power GaAs and GaN PAs, LNAs, switches, CMOS system-on-a-chip solutions, premium BAW and SAW filter solutions and various multi-chip and hybrid assemblies.

As of April 1, 2017, 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 ("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. For financial information about the results of our operating segments for each of the last three fiscal years, see Note 16 of the Notes to the Consolidated Financial Statements set forth in Part II, Item 8 of this report.

Fiscal 2017 Management Summary

- Our revenue increased 16.2% in fiscal 2017 to $3,032.6 million compared to $2,610.7 million in fiscal 2016, primarily due to higher demand for our cellular RF solutions in support of marquee smartphones and customers based in China and higher sales of our wireless infrastructure, defense and aerospace and WiFi products.

- Our gross margin for fiscal 2017 was 37.4% compared to 40.2% for fiscal 2016. Gross margin was adversely impacted in fiscal 2017 by an unfavorable change in product mix towards lower margin low-band power amplifier + duplexer ("PAD") modules, product cost reductions lagging normal average selling price erosion, lower factory utilization and unfavorable inventory adjustments primarily due to lower than expected manufacturing and assembly yields on the low-band PAD modules in the second quarter of fiscal 2017. These adverse factors were partially offset by lower intangible amortization, stock-based compensation and other costs related to the Business Combination.

- Our operating income was $88.1 million in fiscal 2017 compared to $12.0 million in fiscal 2016. This increase was primarily due to higher gross profit from higher revenue and lower intangible amortization, stock-based compensation and other costs related to the Business Combination in fiscal 2017 as compared to fiscal 2016.

- Our net loss per diluted share was $0.13 for fiscal 2017 as compared to net loss per diluted share of $0.20 for fiscal 2016.

- We generated positive cash flow from operations of $776.8 million for fiscal 2017 as compared to $687.9 million for fiscal 2016. This year-over-year increase was due primarily to improvement in working capital, partially offset by lower adjustments for non-cash items.

- Capital expenditures totaled $552.7 million in fiscal 2017, as compared to $315.6 million in fiscal 2016, with the increase primarily related to projects for increasing premium filter capacity and manufacturing cost savings initiatives.

- During fiscal 2017, we recorded interest expense of $69.9 million (which was offset by $13.6 million of capitalized interest) on the $1.0 billion of senior notes that were issued in the third quarter of fiscal 2016. Interest paid on these notes in fiscal 2017 was $71.2 million.

- During fiscal 2017, we repurchased approximately 3.7 million shares of our common stock for approximately $209.4 million, as compared to 24.3 million shares of our common stock for approximately $1,300.0 million during fiscal 2016.

- During fiscal 2017 and fiscal 2016, we recorded integration and restructuring expenses related to the Business Combination of $18.9 million and $36.6 million, respectively. We expect these costs will continue to decline in future years.

RESULTS OF OPERATIONS

Consolidated

The following table presents a summary of our results of operations for fiscal years 2017, 2016 and 2015:

	2017		2016		2015	
(In thousands, except percentages)	Dollars	% of Revenue	Dollars	% of Revenue	Dollars	% of Revenue
Revenue	$ 3,032,574	100.0%	$ 2,610,726	100.0%	$ 1,710,966	100.0%
Cost of goods sold	1,897,062	62.6	1,561,173	59.8	1,021,658	59.7
Gross profit	1,135,512	37.4	1,049,553	40.2	689,308	40.3
Research and development	470,836	15.5	448,763	17.2	257,494	15.0
Selling, general, and administrative	545,588	18.0	534,099	20.4	249,886	14.6
Other operating expense	31,029	1.0	54,723	2.1	59,462	3.5
Operating income	$ 88,059	2.9%	$ 11,968	0.5%	122,466	7.2%

Revenue

Our overall revenue increased $421.8 million, or 16.2%, in fiscal 2017 as compared to fiscal 2016, primarily due to higher demand for our cellular RF solutions in support of marquee smartphones and customers based in China and higher sales of our wireless infrastructure, defense and aerospace and WiFi products.

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.

We provided our products to our largest end customer, Apple, through sales to multiple contract manufacturers, which in the aggregate accounted for 34%, 37% and 32% of total revenue in fiscal years 2017, 2016 and 2015, respectively. Huawei accounted for approximately 11%, 12% and 7% of our total revenue in fiscal years 2017, 2016 and 2015, respectively. Samsung, accounted for approximately 7%, 7% and 14% of our total revenue in fiscal years 2017, 2016 and 2015, respectively. These customers primarily purchase cellular RF and WiFi solutions offered by our MP segment for a variety of mobile devices, including smartphones, notebook computers, wearables, tablets and cellular-based applications for the IoT. In fiscal 2017, Huawei was the largest customer for our IDP segment, primarily purchasing solutions for base stations, telecom transport and WiFi-enabled customer premise equipment applications.

International shipments amounted to $2,565.5 million in fiscal 2017 (approximately 85% of revenue) compared to $2,304.4 million in fiscal 2016 (approximately 88% of revenue) and $1,395.2 million in fiscal 2015 (approximately 82% of revenue). Shipments to Asia totaled $2,441.1 million in fiscal 2017 (approximately 81% of revenue) compared to $2,162.1 million in fiscal 2016 (approximately 83% of revenue) and $1,282.2 million in fiscal 2015 (approximately 75% of revenue). We expect our international and Asia shipments will remain relatively stable at these historical levels.

Gross Margin

Our overall gross margin for fiscal 2017 was 37.4% as compared to 40.2% in fiscal 2016. Gross margin was adversely impacted in fiscal 2017 by an unfavorable change in product mix towards lower margin low-band PAD modules, product cost reductions lagging normal average selling price erosion, lower factory utilization and unfavorable inventory adjustments primarily due to lower than expected manufacturing and assembly yields on the low-band PAD modules in the second quarter of fiscal 2017. The lower yield was associated with the device packaging, not device functionality; however the impact was significant because the issue was identified late in the production process. These adverse factors were partially offset by lower intangible amortization, stock-based compensation and other costs related to the Business Combination in fiscal 2017 as compared to fiscal 2016.

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 higher 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.

Operating Expenses

Research and Development

In fiscal 2017, R&D spending increased $22.1 million, or 4.9%, as compared to fiscal 2016, primarily driven by costs associated with the design and development of high-performance filter based products and GaN-based technologies and products. The increased R&D expense was partially offset by lower stock-based compensation expense.

In fiscal 2016, R&D spending increased $191.3 million, or 74.3%, as compared to fiscal 2015, primarily due to the inclusion of TriQuint R&D expense 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.

Selling, General and Administrative

In fiscal 2017, selling, general and administrative expense increased $11.5 million, or 2.2%, as compared to fiscal 2016, primarily due to higher personnel related costs, partially offset by lower stock-based compensation expense.

In fiscal 2016, selling, general, and administrative expense increased $284.2 million, or 113.7%, as compared to fiscal 2015, primarily due to marketing-related intangible asset amortization resulting from the Business Combination and the addition of TriQuint selling, general and administrative expense for a full fiscal year (fiscal 2015 included only three months of TriQuint expenses).

Other Operating Expense

In fiscal 2017, other operating expense was $31.0 million, compared to $54.7 million for fiscal 2016. In fiscal 2017, we recorded integration costs of $16.9 million and restructuring costs of $2.0 million associated with the Business Combination, as well as $9.7 million of start-up costs related to new processes and operations in both existing and new facilities. 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 expense was $59.5 million, including 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 $88.1 million for fiscal 2017 as compared to $12.0 million for fiscal 2016. This increase was primarily due to higher gross profit from higher revenue and lower intangible amortization, stock-based compensation and other costs related to the Business Combination, partially offset by lower gross margin. Gross margin was adversely impacted primarily due to an unfavorable change in product mix towards lower margin low-band PAD modules, product cost reductions lagging normal average selling price erosion, lower factory utilization and unfavorable inventory adjustments primarily due to lower than expected manufacturing and assembly yields on the low-band PAD modules in the second quarter of fiscal 2017.

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 higher intangible amortization, stock-based compensation and other costs related to the Business Combination and average selling price erosion, 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.

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

Mobile Products

	Fiscal Year		
(In thousands, except percentages)	2017	2016	2015
Revenue	$ 2,384,041	$ 2,083,334	$ 1,395,035
Operating income	$ 554,001	$ 591,751	$ 404,382
Operating income as a % of revenue	23.2%	28.4%	29.0%

MP revenue increased $300.7 million, or 14.4%, in fiscal 2017 as compared to fiscal 2016 primarily due to higher demand for our cellular RF solutions in support of marquee smartphones and customers based in China.

The decrease in MP operating income as a percentage of revenue in fiscal 2017 as compared to fiscal 2016 was primarily due to lower gross margin. Gross margin was adversely impacted in fiscal 2017 by an unfavorable change in product mix towards lower margin low-band PAD modules, product cost reductions lagging normal average selling price erosion, lower factory utilization, and unfavorable inventory adjustments primarily due to lower than expected manufacturing assembly yields on the low-band PAD modules in the second quarter of fiscal 2017. The lower yield was associated with the device packaging, not device functionality; however the impact was significant because the issue was identified late in the production process.

MP revenue increased $688.3 million, or 49.3%, in fiscal 2016 as compared to fiscal 2015 (primarily because 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).

Infrastructure and Defense Products

	Fiscal Year		
(In thousands, except percentages)	2017	2016	2015
Revenue	$ 644,653	$ 523,512	$ 313,274
Operating income	$ 152,539	$ 108,370	$ 72,262
Operating income as a % of revenue	23.7%	20.7%	23.1%

IDP revenue increased $121.1 million, or 23.1%, in fiscal 2017 as compared to fiscal 2016 primarily due to higher sales of our wireless infrastructure, defense and aerospace and WiFi products.

IDP operating income increased $44.2 million, or 40.8%, in fiscal 2017 as compared to fiscal 2016 driven by higher gross profit from increased revenue, favorable factory utilization and lower unfavorable inventory adjustments. This increase in gross profit was partially offset by higher personnel-related expenses.

IDP revenue increased $210.2 million, or 67.1%, in fiscal 2016 as compared to fiscal 2015, primarily because 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.

See Note 16 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 2017, 2016 and 2015.

OTHER (EXPENSE) INCOME AND INCOME TAXES

	Fiscal Year		
(In thousands)	2017	2016	2015
Interest expense	$ (58,879)	$ (23,316)	$ (1,421)
Interest income	1,212	2,068	450
Other (expense) income	(3,087)	6,418	(254)
Income tax (expense) benefit	(43,863)	(25,983)	75,062

Interest expense

We recognized $69.9 million and $25.8 million of interest expense in fiscal years 2017 and 2016, respectively, related to the $1.0 billion of senior notes that were issued in the third quarter of fiscal 2016. Interest expense in the preceding table for fiscal years 2017 and 2016 is net of capitalized interest of $13.6 million and $5.2 million, respectively.

Other (expense) income

Other expense in fiscal 2017 of approximately $3.1 million was related primarily to a net loss from foreign currency. The foreign currency loss was driven primarily by the appreciation of the U.S. dollar against the Renminbi as well as by the changes in the local currency denominated balance sheet accounts. In fiscal 2016 we recognized net income primarily due to a gain from the sale of equity securities.

Income tax (expense) benefit

Income tax expense for fiscal 2017 was $43.9 million, which was primarily comprised of tax expense related to domestic and international operations generating pre-tax book income and an increase in gross unrecognized tax benefits offset by tax benefits related to international operations generating pre-tax book losses and tax credits generated. For fiscal 2017, this resulted in an annual effective tax rate of 160.6%.

Income tax expense for fiscal 2016 was $26.0 million, which was primarily comprised of tax expense related to international operations, an increase in gross unrecognized tax benefits and a $25.1 million 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 tax benefits arising from domestic operations and tax credits generated. For fiscal 2016, this resulted in an annual effective tax rate of (908.0)%.

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 tax benefits from tax credits generated and $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)%.

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. Management reevaluates the ability to realize the benefit of these deferred tax assets on a quarterly basis. As of the end of fiscal years 2017, 2016 and 2015, the valuation allowance against domestic and foreign deferred tax assets was $33.1 million, $34.7 million, and $13.8 million, respectively.

The valuation allowance against net deferred tax assets decreased by $1.6 million in fiscal 2017. The decrease was comprised of a $5.2 million decrease in the valuation allowance for foreign deferred tax assets primarily resulting from the removal of the valuation allowance at a China subsidiary as management has determined it is more likely than not that the related deferred tax assets will be realized. This was partially offset by a $2.8 million increase in the valuation allowance for deferred tax assets for federal foreign tax credits, state net operating losses and state tax credits, and a $0.8 million increase for other foreign net operating loss deferred tax assets. At the end of fiscal 2017, a $0.8 million valuation allowance remained against net deferred tax assets at other foreign subsidiaries and a $32.3 million valuation allowance remained against domestic deferred tax assets as management has determined it is more likely than not that the related deferred tax assets will not be realized, effectively increasing the domestic net deferred tax liabilities.

During fiscal 2017, the China subsidiary which operates as a cost plus manufacturer for another Qorvo subsidiary, exited its start-up operational phase and generated sufficient income to substantially offset the losses earned in prior years, with the balance expected to be offset by income in the first half of fiscal 2018 as production at the assembly and test facility continues to increase.

The valuation allowance against net deferred tax assets increased by $20.9 million in fiscal 2016. The increase was comprised 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 that 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. 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 management has determined it is more likely than not that the related deferred tax assets will not be realized, effectively increasing the domestic net deferred tax liabilities.

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 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 manufacturing operations and foreign customers in that Singapore subsidiary. Together these changes resulted in a significant decrease in the amount of future taxable income expected to be allocated to North Carolina and other states in which the Company's net operating loss and credit carryovers exist. As a result, it was no longer more likely than not that the deferred tax assets related to those state net operating loss and credit carryovers for which a valuation allowance is being provided will be realized before they expire. The foreign net operating losses relate to the China subsidiary that owns an assembly and test facility that became operational during fiscal 2016, and which has incurred start-up losses since inception.

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 was determined to be 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.

As of April 1, 2017, we had federal loss carryovers of approximately $202.6 million that expire in fiscal years 2020 to 2036 if unused and state losses of approximately $209.3 million that expire in fiscal years 2018 to 2036 if unused. Federal research credits of $104.8 million, federal foreign tax credits of $5.0 million, and state credits of $57.4 million may expire in fiscal years 2018 to 2037, 2018 to 2027, and 2018 to 2032, respectively. Federal alternative minimum tax credits of $3.2 million carry forward indefinitely. Foreign losses in China of approximately $3.3 million and in the Netherlands of approximately $55.4 million expire in fiscal year 2021 and fiscal years 2018 to 2026, respectively. Included in the amounts above are certain net operating losses and other tax attribute assets acquired in conjunction with the GreenPeak acquisition during the current fiscal year and acquisitions of Sirenza Microdevices, Inc.; Silicon Wave, Inc.; Amalfi Semiconductor Inc.; 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 $90.6 million as of April 1, 2017, $69.1 million as of April 2, 2016, and $59.4 million as of March 28, 2015. Of these amounts, $84.4 million (net of federal benefit of state taxes), $64.2 million (net of federal benefit of state taxes), and $55.0 million (net of federal benefit of state taxes) as of April 1, 2017, April 2, 2016, and March 28, 2015, 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 2017, 2016 and 2015, we recognized $2.1 million, $1.6 million and $1.2 million, respectively, of interest and penalties related to uncertain tax positions. Accrued interest and penalties related to unrecognized tax benefits totaled $7.1 million, $5.0 million and $3.4 million as of April 1, 2017, April 2, 2016 and March 28, 2015, 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 1, 2017, total remaining unearned compensation cost related to unvested restricted stock units and options was $70.5 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 1, 2017, we had working capital of approximately $1,042.8 million, including $545.5 million in cash and cash equivalents, compared to working capital of $1,135.4 million, including $425.9 million in cash and cash equivalents, as of April 2, 2016.

Our $545.5 million of total cash and cash equivalents as of April 1, 2017 includes approximately $318.7 million held by our foreign subsidiaries. If the undistributed earnings of our foreign subsidiaries are needed in the U.S., we may be required to accrue and pay U.S. taxes to repatriate. Our current plans are to permanently reinvest the undistributed earnings of our foreign subsidiaries.

Stock Repurchase

On February 5, 2015, our Board of Directors authorized the repurchase of up to $200.0 million of our outstanding common stock from time to time on the open market or in privately negotiated transactions. On August 11, 2015, we announced completion of this program.

On August 11, 2015, our Board of Directors authorized the repurchase of up to $400.0 million of our outstanding common stock from time to time on the open market or in privately negotiated transactions. On September 10, 2015, we announced the completion of this program.

On November 5, 2015, our Board of Directors authorized a share repurchase program to repurchase up to $1.0 billion of our outstanding common stock through November 4, 2016. On February 16, 2016, as part of the $1.0 billion share repurchase program, 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. For the upfront payment of $500.0 million, in fiscal 2016, we received an aggregate of 10.0 million shares of our common stock under the ASR agreements. Final settlements of the ASR agreements were completed during the first quarter of fiscal 2017 with 0.4 million shares received resulting in a total of 10.4 million shares of our common stock repurchased under the ASR agreements.

On November 3, 2016, our Board of Directors authorized a share repurchase program to repurchase up to $500.0 million of our outstanding stock. Under this program, share repurchases will be made in accordance with applicable securities laws on the open market or in privately negotiated transactions. The extent to which we repurchase our shares, the number of shares and the timing of any repurchases will depend on general market conditions, regulatory requirements, alternative investment opportunities and other considerations. The program does not require us to repurchase a minimum number of shares and does not have a fixed term, and may be modified, suspended or terminated at any time without prior notice. This new program includes approximately $150.0 million authorized on the $1.0 billion repurchase program that expired November 4, 2016.

We repurchased 4.1 million shares (inclusive of the 0.4 million shares received in final settlement of the ASR agreement), 24.3 million shares (inclusive of the 10.0 million shares received under the ASR agreement) and 0.8 million shares of our common stock during fiscal years 2017, 2016 and 2015, respectively, at an aggregate cost of $209.4 million, $1,300.0 million and $50.9 million, respectively, in accordance with the share repurchase programs described above. As of April 1, 2017, $382.0 million remains available for future repurchases under our current share repurchase program.

Cash Flows from Operating Activities

Operating activities in fiscal 2017 provided cash of $776.8 million, compared to $687.9 million in fiscal 2016. This year-over-year increase was due primarily to improvement in working capital, partially offset by lower adjustments for non-cash items. The adjustments for non-cash items were lower due primarily to stock-based compensation expense and deferred taxes, partially offset by higher depreciation.

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 due primarily 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 2017 was $490.5 million, compared to $278.7 million in fiscal 2016. This increase was primarily due to higher capital expenditures related to projects for increasing premium filter capacity and manufacturing cost savings initiatives and the acquisition of GreenPeak, partially offset by higher net proceeds from available-for-sale securities.

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

Cash Flows from Financing Activities

Net cash used in financing activities in fiscal 2017 was $165.6 million, compared to $282.9 million in fiscal 2016. This decrease was primarily due to lower share repurchase activity, partially offset by lower net proceeds from borrowings.

Net cash used in financing activities in 2016 was $282.9 million, compared to $112.9 million in fiscal 2015. This increase was primarily due to the repurchase of 24.3 million shares of our common stock for approximately $1,300.0 million, partially offset by the net proceeds from the issuance of our Notes of approximately $987.8 million. During fiscal 2015, the remaining $87.5 million principal balance of our 1.00% Convertible Subordinated Notes due 2014 was paid with cash on hand.

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 years 2017, 2016 and 2015. Our financial results in fiscal 2018 could be adversely affected by wage and commodity price inflation (including precious metals).

OFF-BALANCE SHEET ARRANGEMENTS

As of April 1, 2017, 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 1, 2017, 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 2018	Fiscal 2019-2020	Fiscal 2021-2022	Fiscal 2023 and thereafter
Capital commitments	$ 97,697	$ 97,697	$ —	$ —	$ —
Long-term debt obligations	1,559,125	68,875	137,750	137,750	1,214,750
Operating leases	63,456	13,720	18,838	13,632	17,266
Purchase obligations	215,758	206,769	8,464	525	—
Cross-licensing liability	12,880	2,540	4,940	4,800	600
Deferred compensation	10,237	674	1,227	757	7,579
Total	$ 1,959,153	$ 390,275	$ 171,219	$ 157,464	$ 1,240,195

Capital Commitments

On April 1, 2017, we had capital commitments of approximately $97.7 million, primarily related to projects to increase our premium filter capacity, constructing a new office and design center, projects for manufacturing cost savings initiatives, equipment replacements and general corporate purposes. We expect capital expenditures in fiscal 2018 will be lower than capital expenditures in fiscal 2017.

Long-Term Debt Obligations

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, and commenced 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 payment default, failure to provide certain notices thereunder and certain provisions related to bankruptcy events. The Indenture also contains customary negative covenants.

In connection with the offering of the Notes, we agreed to provide the holders of the Notes with an opportunity to exchange the Notes for registered notes having terms substantially identical to the Notes. On September 19, 2016, we completed an exchange offer, in which all of the 2023 Notes and substantially all of the 2025 Notes were exchanged for new notes that have been registered under the Securities Act.

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 11 years. Several of these leases have renewal options of up to two, ten-year periods and several also include standard inflation escalation terms. Several of these leases 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.

Purchase Obligations

Our purchase obligations, totaling approximately $215.8 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 1, 2017.

Cross-Licensing Liability

The cross-licensing liability represents payables under a cross-licensing agreement and are included in "Accrued liabilities" and "Other long-term liabilities" in the Consolidated Balance Sheet as of April 1, 2017.

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 1, 2017, in addition to the amounts shown in the Contractual Obligations table above, we had$97.7 million of unrecognized income tax benefits and accrued interest, of which $16.6 million had been recorded as a liability. We are uncertain as to if, or when, such amounts may be settled.

As discussed in Note 9 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 $11.4 million as of April 1, 2017. 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 2017 and are expected to be similar in fiscal2018.

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 1, 2017, 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. As of April 1, 2017, we were in compliance with all of these covenants.

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 an impact on margins of less than 2% in fiscal years 2017, 2016 and 2015.

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 approximately 7% of net revenue in fiscal 2017 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, stock rotation, and scrap allowance 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 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. For fiscal 2017, we performed a qualitative assessment of the fair value of our reporting units and as a result of our analysis, we determined that there were no indicators of impairment and no further quantitative impairment test was deemed necessary.

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) as the fair value of the reporting units had changed (due to the Business Combination) since the last time we performed a quantitative analysis. The quantitative assessments performed reaffirmed that there were no indicators of impairment for fiscal 2016.

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 of3% 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 its 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, 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 year 2015, we performed a qualitative assessment of our reporting units and as a result of our analysis, we determined that there were no indicators of impairment and no further quantitative impairment test was deemed necessary.

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 years 2017 and 2016, we completed and transferred into developed technology approximately $220.0 million and $203.0 million, respectively, of IPRD. We performed a qualitative assessment of the remaining IPRD during fiscal 2017 and concluded that IPRD was not impaired.

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, 2015 and 2017 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 2013, 2015 and 2017 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 three to six years.

The fair value of a wafer supply agreement acquired in fiscal 2013 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 years 2015 and 2017 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 two to 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.

The fair value of the non-compete agreements acquired in fiscal 2017 was determined based on an income approach using the "incremental income method" over the useful life of two years.

We regularly review identified intangible assets to determine if facts and circumstances indicate that the useful life has changed from the original estimate 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.

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 12 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 (a likelihood of more than 50 percent) that some portion or all of 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 12 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 January 2017, the FASB issued Accounting Standards Update ("ASU") 2017-04,*"Intangibles-Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment."* The new guidance simplifies the subsequent measurement of goodwill by eliminating the second step from the quantitative goodwill impairment test. We will continue to have the option to perform a qualitative assessment to determine if a quantitative goodwill impairment test is necessary. The new standard will become effective for us beginning in fiscal 2021 with early adoption permitted. We do not believe it will have a significant impact on our consolidated financial statements.

In January 2017, the FASB issued ASU 2017-01,*"Business Combinations (Topic 805): Clarifying the Definition of a Business."* The new guidance clarifies the definition of a business and provides further guidance for evaluating whether a transaction will be accounted for as an acquisition of an asset or a business. The new standard will become effective for us beginning in the first quarter of fiscal 2019 with early adoption permitted. The update should be applied prospectively. We do not believe it will have a significant impact on our consolidated financial statements.

In November 2016, the FASB issued ASU 2016-18,*"Statement of Cash Flows (Topic 230): Restricted Cash (a consensus of the FASB Emerging Issues Task Force)."* The new guidance requires the inclusion of restricted cash along with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The new standard will become effective for us beginning in the first quarter of fiscal 2019 with early adoption permitted. We do not believe it will have a significant impact on our consolidated financial statements.

In October 2016, the FASB issued ASU 2016-16,*"Income Taxes (Topic 740), Intra-Entity Transfers of Assets Other Than Inventory*," which requires the recognition of the income tax consequences of an intra-entity transfer of an asset, other than inventory, when the transfer occurs. The new standard will become effective for us in the first quarter of fiscal 2019 with early adoption permitted. We are currently evaluating the effects this new guidance will have on our consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15,*"Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments (a consensus of the FASB's Emerging Issues Task Force)."* The new guidance addresses eight specific cash flow issues with the objective of reducing the existing diversity in practice. The new standard will become effective for us beginning in the first quarter of fiscal 2019 with early adoption permitted. We do not believe it will have a significant impact on our consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13,*"Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments."*The new guidance requires entities to use a current lifetime expected credit loss methodology to measure impairments of certain financial instruments. It also modifies the impairment model for available-for-sale debt securities and provides for a simplified accounting model for purchased financial assets with credit deterioration since their origination. The new standard will become effective for us beginning in the first quarter of fiscal 2021 with early adoption permitted. We do not believe it will have a significant impact on our consolidated financial statements.

In March 2016, the FASB issued 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. Upon adoption, we expect to recognize a cumulative-effect adjustment to reduce our accumulated deficit and we plan to continue our existing practice of estimating expected forfeitures in determining compensation cost. We do not believe adoption will have a significant impact on our consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02,*"Leases (Topic 842)."* The new guidance requires lessees to recognize a right-of-use asset and a lease liability for all leases with a term longer than 12 months, including those previously described as operating leases. Consistent with current U.S. GAAP, the recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee will primarily depend on its classification as a finance or operating lease. The new guidance will become effective for us in the first quarter of fiscal 2020. We expect the valuation of the right-of-use assets and lease liabilities, for leases previously described as operating leases, to be the present value of our forecasted future lease commitments. We are continuing to assess the overall impacts of the new standard, including the discount rate to be applied in these valuations.

In January 2016, the FASB issued ASU 2016-01,*"Financial Instruments - Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities."* The 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 do not believe it will have a significant impact on our consolidated financial statements.

In July 2015, the FASB issued ASU 2015-11,*"Inventory (Topic 330): Simplifying the Measurement of Inventory."*The new guidance changes the measurement principle for inventory from the lower of cost or market to the lower of cost and net realizable value. ASU 2015-11 defines net realizable value as the estimated selling price in the ordinary course of business less reasonably predictable costs to completion, transportation, or disposal. We will adopt the provisions of this standard in the first quarter of fiscal 2018 and we do not believe adoption will 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)*," with several amendments subsequently issued. This new standard provides an updated framework for revenue recognition, resulting in a single revenue model to be applied by reporting companies under U.S. GAAP. Under the new model, recognition of revenue occurs when a customer obtains control of promised goods or services in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Additional disclosures will be required regarding the nature, amount, timing and uncertainty of cash flows. The new guidance will become effective for us in the first quarter of fiscal 2019 and permits the use of either a retrospective approach or a modified retrospective approach, whereby the cumulative effect of adoption is recognized at the date of initial application. We have established a cross-functional team to assess the potential impact of the new revenue standard and our assessment will be completed during fiscal 2018. Our assessment process consists of reviewing our current accounting policies and practices to identify potential differences that may result from applying the requirements of the new standard to our revenue contracts and identifying appropriate changes to our business processes, systems and controls to support revenue recognition and disclosure requirements under the new standard. We currently anticipate adopting the standard using the modified retrospective approach.

Accounting Pronouncements Recently Adopted

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 adopted the provisions of this standard in the first quarter of fiscal 2017, and there was no impact 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 became effective for us beginning in the first quarter of fiscal 2017 and will be applied prospectively to adjustments to provisional amounts that occur in the future.

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

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 1, 2017.

Currency Exchange Rates

As a global company, our results are affected by movements in currency exchange rates. Our exposure may increase or decrease over time as our foreign business levels fluctuate in the countries where we have operations, and these changes could have a material impact on our financial results. The functional currency for most of our international operations is the U.S. dollar. We have foreign operations in Asia, Europe and Costa Rica, and a substantial portion of our revenue is derived from sales to customers outside the U.S. Our international revenue is primarily denominated in U.S. dollars. Operating expenses and certain working capital items related to our foreign-based operations are, in some instances, denominated in the local foreign currencies and therefore are affected by changes in the U.S. dollar exchange rate in relation to foreign currencies, such as the Renminbi, Euro, Pound Sterling, Costa Rican Colon, and Yen. If the U.S. dollar weakens compared to the Renminbi, Euro, Pound Sterling, Costa Rican Colon, Yen and other currencies, our operating expenses for foreign operations will be higher when remeasured back into U.S. dollars. We seek to manage our foreign exchange risk in part through operational means.

For fiscal 2017, we incurred a foreign currency loss of $3.2 million as compared to a loss of $0.7 million in fiscal 2016, which is recorded in "Other (expense) income."