

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(MARK ONE)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended August 2, 2020

OR

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

For the transition period from _____ to _____

Broadcom Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

001-38449
(Commission file Number)

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

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

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

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

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

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

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐ Emerging growth company ☐

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

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

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

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on Which Registered
Common Stock, \$0.001 par value	AVGO	The NASDAQ Global Select Market
8.00% Mandatory Convertible Preferred Stock, Series A, \$0.001 par value	AVGOP	The NASDAQ Global Select Market

As of August 28, 2020, there were 404,501,331 shares of our common stock outstanding.

BROADCOM INC.
Quarterly Report on Form 10-Q
For the Quarterly Period Ended August 2, 2020

TABLE OF CONTENTS

	Page
<u>PART I — FINANCIAL INFORMATION</u>	<u>1</u>
<u>Item 1. Condensed Consolidated Financial Statements — Unaudited</u>	<u>1</u>
<u>Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>30</u>
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	<u>41</u>
<u>Item 4. Controls and Procedures</u>	<u>41</u>
<u>PART II — OTHER INFORMATION</u>	<u>41</u>
<u>Item 1. Legal Proceedings</u>	<u>41</u>
<u>Item 1A. Risk Factors</u>	<u>41</u>
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>63</u>
<u>Item 3. Defaults Upon Senior Securities</u>	<u>63</u>
<u>Item 4. Mine Safety Disclosures</u>	<u>63</u>
<u>Item 5. Other Information</u>	<u>63</u>
<u>Item 6. Exhibits</u>	<u>64</u>
<u>SIGNATURES</u>	<u>69</u>

PART I — FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements — Unaudited

BROADCOM INC.

INDEX TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — UNAUDITED

	Page
Condensed Consolidated Balance Sheets — Unaudited	2
Condensed Consolidated Statements of Operations - Unaudited	3
Condensed Consolidated Statements of Comprehensive Income — Unaudited	4
Condensed Consolidated Statements of Cash Flows — Unaudited	5
Condensed Consolidated Statements of Stockholders' Equity — Unaudited	6
Notes to Unaudited Condensed Consolidated Financial Statements	8

BROADCOM INC.
CONDENSED CONSOLIDATED BALANCE SHEETS — UNAUDITED

	August 2, 2020	November 3, 2019
	(In millions, except par value)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 8,857	\$ 5,055
Trade accounts receivable, net	2,684	3,259
Inventory	1,081	874
Other current assets	1,059	729
Total current assets	13,681	9,917
Long-term assets:		
Property, plant and equipment, net	2,567	2,565
Goodwill	43,447	36,714
Intangible assets, net	18,357	17,554
Other long-term assets	1,246	743
Total assets	\$ 79,298	\$ 67,493
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	\$ 1,092	\$ 855
Employee compensation and benefits	732	641
Current portion of long-term debt	822	2,787
Other current liabilities	4,056	2,616
Total current liabilities	6,702	6,899
Long-term liabilities:		
Long-term debt	43,201	30,011
Other long-term liabilities	5,810	5,613
Total liabilities	55,713	42,523
Commitments and contingencies (Note 12)		
Preferred stock dividend obligation	28	29
Stockholders' equity:		
Preferred stock, \$0.001 par value; 100 shares authorized; 8.00% Mandatory Convertible Preferred Stock, Series A, 4 shares issued and outstanding; aggregate liquidation value of \$3,738 as of August 2, 2020 and November 3, 2019	—	—
Common stock, \$0.001 par value; 2,900 shares authorized; 404 and 398 shares issued and outstanding as of August 2, 2020 and November 3, 2019, respectively	—	—
Additional paid-in capital	23,688	25,081
Retained earnings	—	—
Accumulated other comprehensive loss	(131)	(140)
Total stockholders' equity	23,557	24,941
Total liabilities and equity	\$ 79,298	\$ 67,493

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

BROADCOM INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS — UNAUDITED

	Fiscal Quarter Ended		Three Fiscal Quarters Ended	
	August 2, 2020	August 4, 2019	August 2, 2020	August 4, 2019
(In millions, except per share data)				
Net revenue:				
Products	\$ 4,125	\$ 4,413	\$ 12,582	\$ 13,470
Subscriptions and services	1,696	1,102	4,839	3,351
Total net revenue	5,821	5,515	17,421	16,821
Cost of revenue:				
Cost of products sold	1,383	1,519	4,290	4,530
Cost of subscriptions and services	154	132	475	405
Amortization of acquisition-related intangible assets	953	828	2,857	2,487
Restructuring charges	15	2	30	68
Total cost of revenue	2,505	2,481	7,652	7,490
Gross margin	3,316	3,034	9,769	9,331
Research and development	1,228	1,235	3,786	3,519
Selling, general and administrative	428	410	1,530	1,300
Amortization of acquisition-related intangible assets	600	475	1,802	1,424
Restructuring, impairment and disposal charges	52	49	163	698
Total operating expenses	2,308	2,169	7,281	6,941
Operating income	1,008	865	2,488	2,390
Interest expense	(464)	(362)	(1,357)	(1,083)
Other income, net	49	41	175	172
Income from continuing operations before income taxes	593	544	1,306	1,479
Benefit from income taxes	(96)	(171)	(331)	(410)
Income from continuing operations	689	715	1,637	1,889
Loss from discontinued operations, net of income taxes	(1)	—	(1)	(12)
Net income	688	715	1,636	1,877
Dividends on preferred stock	(74)	—	(223)	—
Net income attributable to common stock	\$ 614	\$ 715	\$ 1,413	\$ 1,877
Basic income per share attributable to common stock:				
Income per share from continuing operations	\$ 1.53	\$ 1.80	\$ 3.53	\$ 4.73
Loss per share from discontinued operations	(0.01)	—	(0.01)	(0.03)
Net income per share	\$ 1.52	\$ 1.80	\$ 3.52	\$ 4.70
Diluted income per share attributable to common stock:				
Income per share from continuing operations	\$ 1.46	\$ 1.71	\$ 3.37	\$ 4.50
Loss per share from discontinued operations	(0.01)	—	(0.01)	(0.03)
Net income per share	\$ 1.45	\$ 1.71	\$ 3.36	\$ 4.47
Weighted-average shares used in per share calculations:				
Basic	403	398	401	399
Diluted	422	418	420	420

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

BROADCOM INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME — UNAUDITED

	Fiscal Quarter Ended		Three Fiscal Quarters Ended	
	August 2, 2020	August 4, 2019	August 2, 2020	August 4, 2019
	(In millions)			
Net income	\$ 688	\$ 715	\$ 1,636	\$ 1,877
Other comprehensive income, net of tax:				
Change in actuarial loss and prior service costs associated with defined benefit pension plans and post-retirement benefit plans	—	—	1	—
Other comprehensive income, net of tax	—	—	1	—
Comprehensive income	<u>\$ 688</u>	<u>\$ 715</u>	<u>\$ 1,637</u>	<u>\$ 1,877</u>

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

BROADCOM INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS — UNAUDITED

	Three Fiscal Quarters Ended	
	August 2, 2020	August 4, 2019
	(In millions)	
Cash flows from operating activities:		
Net income	\$ 1,636	\$ 1,877
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of intangible and right-of-use assets	4,746	3,930
Depreciation	431	426
Stock-based compensation	1,527	1,641
Deferred taxes and other non-cash taxes	(683)	(708)
Loss on debt extinguishment	153	2
Non-cash restructuring, impairment and disposal charges	32	113
Non-cash interest expense	83	50
Other	(43)	(83)
Changes in assets and liabilities, net of acquisitions and disposals:		
Trade accounts receivable, net	590	201
Inventory	(98)	33
Accounts payable	227	105
Employee compensation and benefits	75	(360)
Other current assets and current liabilities	462	115
Other long-term assets and long-term liabilities	(425)	(124)
Net cash provided by operating activities	8,713	7,218
Cash flows from investing activities:		
Acquisitions of businesses, net of cash acquired	(10,872)	(16,033)
Proceeds from sales of businesses	218	957
Purchases of property, plant and equipment	(361)	(336)
Proceeds from disposals of property, plant and equipment	10	82
Other	(4)	(4)
Net cash used in investing activities	(11,009)	(15,334)
Cash flows from financing activities:		
Proceeds from long-term borrowings	27,802	28,793
Repayment of debt	(15,814)	(12,000)
Other borrowings, net	(1,285)	1,345
Payment of dividends	(4,139)	(3,181)
Repurchases of common stock - repurchase program	—	(5,002)
Shares repurchased for tax withholdings on vesting of equity awards	(580)	(818)
Issuance of common stock	174	194
Other	(60)	(45)
Net cash provided by financing activities	6,098	9,286
Net change in cash and cash equivalents	3,802	1,170
Cash and cash equivalents at beginning of period	5,055	4,292
Cash and cash equivalents at end of period	\$ 8,857	\$ 5,462

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

BROADCOM INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY — UNAUDITED
Three Fiscal Quarters Ended August 2, 2020

	8.00% Mandatory Convertible Preferred Stock		Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
	Shares	Par Value	Shares	Par Value				
(In millions)								
Balance as of November 3, 2019	4	\$ —	398	\$ —	\$ 25,081	\$ —	\$ (140)	\$ 24,941
Net income	—	—	—	—	—	385	—	385
Cumulative effect of accounting change	—	—	—	—	—	(10)	8	(2)
Fair value of partially vested equity awards assumed in connection with an acquisition	—	—	—	—	1	—	—	1
Dividends to common stockholders	—	—	—	—	(996)	(301)	—	(1,297)
Dividends to preferred stockholders	—	—	—	—	—	(74)	—	(74)
Common stock issued	—	—	2	—	37	—	—	37
Stock-based compensation	—	—	—	—	545	—	—	545
Shares repurchased for tax withholdings on vesting of equity awards	—	—	(1)	—	(168)	—	—	(168)
Balance as of February 2, 2020	4	—	399	—	24,500	—	(132)	24,368
Net income	—	—	—	—	—	563	—	563
Other comprehensive income	—	—	—	—	—	—	1	1
Dividends to common stockholders	—	—	—	—	(818)	(488)	—	(1,306)
Dividends to preferred stockholders	—	—	—	—	—	(75)	—	(75)
Common stock issued	—	—	4	—	91	—	—	91
Stock-based compensation	—	—	—	—	517	—	—	517
Shares repurchased for tax withholdings on vesting of equity awards	—	—	(1)	—	(217)	—	—	(217)
Balance as of May 3, 2020	4	—	402	—	24,073	—	(131)	23,942
Net income	—	—	—	—	—	688	—	688
Dividends to common stockholders	—	—	—	—	(698)	(614)	—	(1,312)
Dividends to preferred stockholders	—	—	—	—	—	(74)	—	(74)
Common stock issued	—	—	2	—	46	—	—	46
Stock-based compensation	—	—	—	—	465	—	—	465
Shares repurchased for tax withholdings on vesting of equity awards	—	—	—	—	(198)	—	—	(198)
Balance as of August 2, 2020	4	\$ —	404	\$ —	\$ 23,688	\$ —	\$ (131)	\$ 23,557

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

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

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

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

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

Broadcom Inc. ("Broadcom"), a Delaware corporation, is a global technology leader that designs, develops and supplies a broad range of semiconductor and infrastructure software solutions. We develop semiconductor devices with a focus on complex digital and mixed signal complementary metal oxide semiconductor based devices and analog III-V based products. We have a history of innovation and offer thousands of products that are used in end products such as enterprise and data center networking, home connectivity, set-top boxes, broadband access, telecommunication equipment, smartphones and base stations, data center servers and storage systems, factory automation, power generation and alternative energy systems, and electronic displays. Our infrastructure software solutions enable customers to plan, develop, automate, manage and secure applications across mainframe, distributed, mobile and cloud platforms. We also offer a cybersecurity solutions portfolio, including data loss prevention, endpoint protection, and web, email and cloud security solutions. Unless stated otherwise or the context otherwise requires, references to "Broadcom," "we," "our" and "us" mean Broadcom and its consolidated subsidiaries.

On November 4, 2019, we completed the purchase of certain assets and assumption of certain liabilities of the Symantec Corporation Enterprise Security business (the "Symantec Business") for \$10.7 billion in cash (the "Symantec Asset Purchase"). The results of operations of the Symantec Business are included in the unaudited condensed consolidated financial statements commencing on the acquisition date.

During the first quarter of our fiscal year ending November 1, 2020 ("fiscal year 2020"), we changed our organizational structure, resulting in two reportable segments: semiconductor solutions and infrastructure software. Prior period segment results have been recast to conform to the current presentation.

Basis of Presentation

We operate on a 52- or 53-week fiscal year ending on the Sunday closest to October 31 in a 52-week year and the first Sunday in November in a 53-week year. Our fiscal year 2020 is a 52-week fiscal year. The first quarter of our fiscal year 2020 ended on February 2, 2020, the second quarter ended on May 3, 2020 and the third quarter ended on August 2, 2020. Our fiscal year ended November 3, 2019 ("fiscal year 2019") was also a 52-week fiscal year.

The accompanying condensed consolidated financial statements include the accounts of Broadcom and its subsidiaries, and have been prepared in accordance with generally accepted accounting principles in the United States ("GAAP") for interim financial information. The financial information included herein is unaudited, and reflects all adjustments which are, in the opinion of our management, of a normal recurring nature and necessary for a fair statement of the results for the periods presented. The November 3, 2019 condensed consolidated balance sheet data were derived from Broadcom's audited consolidated financial statements included in its Annual Report on Form 10-K for fiscal year 2019 as filed with the Securities and Exchange Commission (the "SEC"). All intercompany transactions and balances have been eliminated in consolidation. The operating results for the fiscal quarter and three fiscal quarters ended August 2, 2020 are not necessarily indicative of the results that may be expected for fiscal year 2020, or for any other future period.

Significant Accounting Policies

Use of estimates. The preparation of condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. The inputs into certain of these estimates and assumptions include the consideration of the economic impact of the COVID-19 pandemic. Actual results could differ materially from these estimates, and such differences could affect the results of operations reported in future periods. As the impact of the COVID-19 pandemic continues to develop, many of these estimates could require increased judgement and carry a higher degree of variability and volatility, and may change materially in future periods.

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

Recent Accounting Guidance

In February 2016, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") 2016-02, *Leases* ("Topic 842"), which requires a lessee to recognize lease assets and lease liabilities on the balance sheet for

operating leases. At the beginning of fiscal year 2020, we adopted Topic 842 using the optional adoption method, whereby no adjustment to the financial statements of comparative periods is required. Upon adoption, we recorded net right-of-use ("ROU") assets of \$545 million and lease liabilities of \$591 million and there were no cumulative effect adjustments as of November 4, 2019. The net ROU assets included the effect of reclassifying deferred rent and a portion of facilities-related restructuring reserves as an offset in accordance with the transition guidance. The standard did not materially affect the condensed consolidated statements of operations and the condensed consolidated statement of cash flows. See Note 5. "Leases" for further information.

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform*. This guidance provides optional expedients and exceptions for applying GAAP to contracts, hedging relationships and other transactions, subject to meeting certain criteria, that reference the London Interbank Offered Rate ("LIBOR") or another reference rate expected to be discontinued because of reference rate reform. The amendments in this ASU were effective upon issuance and may be applied through December 31, 2022. This guidance had no impact on our contracts as of August 2, 2020.

2. Revenue from Contracts with Customers

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

Disaggregation

We have considered (1) information that is regularly reviewed by our Chief Executive Officer, who has been identified as the Chief Operating Decision Maker (the "CODM") as defined by the authoritative guidance on segment reporting, in evaluating financial performance and (2) disclosures presented outside of our financial statements in our earnings releases and used in investor presentations to disaggregate revenues. The principal category we use to disaggregate revenues is the nature of our products and subscriptions and services, as presented in our condensed consolidated statements of operations. In addition, revenues by reportable segment are presented in Note 11. "Segment Information".

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

Fiscal Quarter Ended August 2, 2020				
	Americas	Asia Pacific	Europe, the Middle East and Africa	Total
	(In millions)			
Products	\$ 410	\$ 3,393	\$ 322	\$ 4,125
Subscriptions and services ^(a)	1,000	349	347	1,696
Total	\$ 1,410	\$ 3,742	\$ 669	\$ 5,821

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

Three Fiscal Quarters Ended August 2, 2020				
	Americas	Asia Pacific	Europe, the Middle East and Africa	Total
	(In millions)			
Products	\$ 1,340	\$ 10,282	\$ 960	\$ 12,582
Subscriptions and services ^(a)	3,075	680	1,084	4,839
Total	\$ 4,415	\$ 10,962	\$ 2,044	\$ 17,421

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

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

Although we recognize revenue for the majority of our semiconductor products when title and control transfer in Penang, Malaysia, we disclose net revenue by region based on the geographic shipment or delivery location specified by distributors, original equipment manufacturers, contract manufacturers, channel partners, or software customers.

Contract Balances

Contract assets and contract liabilities balances were as follows:

	Contract Assets	Contract Liabilities
	(In millions)	
Balance as of November 3, 2019	\$ 259	\$ 1,808
Balance as of August 2, 2020 ^(a)	\$ 158	\$ 3,463

(a) Contract liabilities associated with the Symantec Business were included in the balance as of August 2, 2020.

	Contract Assets	Contract Liabilities
	(In millions)	
Balance as of November 5, 2018 ^(a)	\$ 18	\$ 272
Balance as of August 4, 2019	\$ 229	\$ 2,269

(a) We adopted ASU 2014-09, *Revenue from Contracts with Customers*, on November 5, 2018, immediately prior to the acquisition of CA, Inc. ("CA"). Accordingly, the opening balances do not include contract assets or contract liabilities associated with CA.

Changes in our contract assets and contract liabilities primarily result from the timing difference between our performance and the customer's payment. We fulfill our obligations under a contract with a customer by transferring products and services in exchange for consideration from the customer. We recognize a contract asset when we transfer products or services to a customer and the right to consideration is conditional on something other than the passage of time. Accounts receivable are recorded when the customer has been billed or the right to consideration is unconditional. We recognize contract liabilities when we have received consideration or an amount of consideration is due from the customer and we have a future obligation to transfer products or services. Contract liabilities include amounts billed or collected and advanced payments on contracts or arrangements which may include termination for convenience provisions. The amount of revenue recognized during the three fiscal quarters ended August 2, 2020 that was included in the contract liabilities balance as of November 3, 2019 was \$1,315 million. The amount of revenue recognized during the three fiscal quarters ended August 4, 2019 that was included in the contract liabilities balance as of November 5, 2018 was \$173 million.

Remaining Performance Obligations

Revenue allocated to remaining performance obligations represents the transaction price allocated to the performance obligations that are unsatisfied, or partially unsatisfied. It includes unearned revenue and amounts that will be invoiced and recognized as revenue in future periods and does not include contracts for subscriptions and services where the customer is not committed. The customer is not considered committed when termination for convenience without payment of a substantive penalty exists, either contractually or through customary business practice. The majority of our customer software contracts include termination for convenience clauses without a substantive penalty and are accordingly deemed to

not be committed. Additionally, as a practical expedient, we have not included contracts that have an original duration of one year or less nor have we included contracts with sales-based and usage-based royalties promised in exchange for a license of intellectual property ("IP").

Because the substantial majority of our customer software contracts allow our customers to terminate for convenience without a substantive penalty or have an original duration of one year or less, the total amount of the transaction price allocated to remaining performance obligations as of August 2, 2020 was not material. Since the majority of our software contracts are not deemed to be committed, although our customers generally do not exercise their termination for convenience rights, and the majority of the contracts we execute for products, as well as subscriptions and services, have a duration of one year or less, our remaining performance obligations are not indicative of revenue for future periods.

3. Acquisitions

Acquisition of Symantec Corporation's Enterprise Security Business

On November 4, 2019, we completed the purchase of the Symantec Business, which was an established leader in cybersecurity, for \$10.7 billion in cash. We acquired the Symantec Business to expand our footprint of mission critical infrastructure software with our existing customer base. The Symantec Business includes a deep and broad mix of products, services and solutions, unifying cloud and on-premises security to provide advanced threat protection and information protection across endpoints, network, email and cloud applications. We financed this acquisition with the net proceeds from borrowings under the November 2019 Term Loans, as defined in Note 8. "Borrowings".

We allocated the purchase price to tangible and identified intangible assets acquired and liabilities assumed based on their estimated fair values, which were based on estimates and assumptions made by management at the time of acquisition. As additional information becomes available, we may further revise our preliminary purchase price allocation during the remainder of the measurement period (which will not exceed 12 months from November 4, 2019). Any such revisions or changes may be material.

The following table presents our preliminary allocation of the total purchase price:

	Estimated Fair Value (In millions)
Current assets	\$ 273
Goodwill	6,638
Intangible assets	5,411
Other long-term assets	92
Total assets acquired	12,414
Current liabilities	(1,127)
Other long-term liabilities	(587)
Total liabilities assumed	(1,714)
Fair value of net assets acquired	\$ 10,700

Goodwill is primarily attributable to the assembled workforce and anticipated synergies and economies of scale expected from the integration of the Symantec Business. The synergies include certain cost savings, operating efficiencies, and other strategic benefits projected to be achieved as a result of the Symantec Asset Purchase. Substantially all goodwill is deductible for tax purposes.

Current assets and current liabilities included amounts held-for-sale related to the acquired Symantec Cyber Security Services ("CSS") business. The CSS business was not aligned with our acquisition-date strategic objectives and was sold on April 30, 2020. We do not have any material continuing involvement with this business and have presented its results in discontinued operations.

Revenue attributable to the Symantec Business has been included in our infrastructure software segment. Transaction costs related to the Symantec Asset Purchase of \$110 million were included in selling, general and administrative expense for the three fiscal quarters ended August 2, 2020.

Intangible Assets

	Estimated Fair Value (In millions)	Weighted-Average Amortization Periods (In years)
Developed technology	\$ 2,900	5
Customer contracts and related relationships	2,410	5
Trade name	90	6
Order backlog	11	3
Total identified intangible assets	\$ 5,411	

Developed technology relates to products used for cybersecurity solutions, including data loss prevention, endpoint protection, and web, email and cloud security solutions. We valued the developed technology using the multi-period excess earnings method under the income approach. This method reflects the present value of the projected cash flows that are expected to be generated by the developed technology less charges representing the contribution of other assets to those cash flows. The economic useful life was determined based on the technology cycle related to each developed technology, as well as the cash flows over the forecast period.

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

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

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

We believe the amounts of purchased intangible assets recorded above represent the fair values of, and approximate the amounts a market participant would pay for, these intangible assets as of November 4, 2019.

Unaudited Pro Forma Information

The following unaudited pro forma financial information presents combined results of operations for the periods presented, as if we had completed the Symantec Asset Purchase as of the beginning of fiscal year 2019. The unaudited pro forma information includes adjustments to amortization and depreciation for intangible assets and property, plant and equipment acquired, adjustments to interest expense for the additional indebtedness incurred to complete the acquisition, restructuring charges related to the acquisition and transaction costs. For the three fiscal quarters ended August 4, 2019, non-recurring pro forma adjustments directly attributable to the Symantec Asset Purchase included transaction costs of \$136 million. The unaudited pro forma information presented below is for informational purposes only and is not necessarily indicative of our consolidated results of operations of the combined business had the acquisition actually occurred at the beginning of fiscal year 2019 or of the results of our future operations of the combined business.

	Fiscal Quarter Ended		Three Fiscal Quarters Ended	
	August 2, 2020	August 4, 2019	August 2, 2020	August 4, 2019
	(In millions)			
Pro forma net revenue	\$ 5,687	\$ 5,873	\$ 16,894	\$ 18,133
Pro forma net income attributable to common stock	\$ 549	\$ 344	\$ 1,181	\$ 786

Other Acquisitions

During the fiscal quarter ended February 2, 2020, we also completed three other acquisitions qualifying as business combinations for total consideration of \$201 million, of which \$109 million was allocated to goodwill and \$46 million was allocated to intangible assets. We do not consider these acquisitions to be material, individually or in the aggregate, to our condensed consolidated statements of operations.

Acquisition of CA, Inc.

On November 5, 2018, we acquired CA for total consideration of \$16.1 billion, net of cash acquired ("CA Merger"). CA was a leading provider of information technology management software and solutions. We acquired CA to enhance our infrastructure software capabilities.

Unaudited Pro Forma Information

The following unaudited pro forma financial information presents combined results of operations for the periods presented, as if CA had been acquired as of the beginning of our fiscal year ended November 4, 2018 ("fiscal year 2018"). The unaudited pro forma information includes adjustments to amortization and depreciation for intangible assets and property, plant and equipment acquired, adjustments to stock-based compensation expense, interest expense for the additional indebtedness incurred to complete the acquisition, restructuring charges related to the acquisition and transaction costs. The unaudited pro forma information presented below is for informational purposes only and is not necessarily indicative of our consolidated results of operations of the combined business had the acquisition actually occurred at the beginning of fiscal year 2018 or of the results of our future operations of the combined business.

	Fiscal Quarter Ended	Three Fiscal Quarters Ended
	August 4, 2019	August 4, 2019
	(In millions)	
Pro forma net revenue	\$ 5,287	\$ 16,137
Pro forma net income attributable to common stock	\$ 542	\$ 1,895

4. Supplemental Financial Information

Cash Equivalents

Cash equivalents included \$1,858 million and \$850 million of time deposits and \$1,531 million and \$649 million of money-market funds as of August 2, 2020 and November 3, 2019, respectively. For time deposits, carrying value approximates fair value due to the short-term nature of the instruments. The fair value of money-market funds, which was consistent with their carrying value, was determined using unadjusted prices in active, accessible markets for identical assets, and as such, they were classified as Level 1 assets in the fair value hierarchy.

Accounts Receivable Factoring

We sell certain of our trade accounts receivable on a non-recourse basis to third-party financial institutions pursuant to factoring arrangements. We account for these transactions as sales of receivables and present cash proceeds as cash provided by operating activities in the condensed consolidated statements of cash flows. Total trade accounts receivable sold under the factoring arrangements were \$927 million and \$2,754 million during the fiscal quarter and three fiscal quarters ended August 2, 2020, respectively, and \$375 million and \$465 million during the fiscal quarter and three fiscal quarters ended August 4, 2019, respectively. Factoring fees for the sales of receivables were recorded in other income, net and were not material for any of the periods presented.

Inventory

	August 2, 2020	November 3, 2019
	(In millions)	
Finished goods	\$ 372	\$ 339
Work-in-process	517	414
Raw materials	192	121
Total inventory	\$ 1,081	\$ 874

Other Current Assets

	August 2, 2020	November 3, 2019
	(In millions)	
Prepaid expenses	\$ 433	\$ 302
Other (miscellaneous)	626	427
Total other current assets	<u>\$ 1,059</u>	<u>\$ 729</u>

Other Current Liabilities

	August 2, 2020	November 3, 2019
	(In millions)	
Contract liabilities	\$ 2,793	\$ 1,501
Tax liabilities	387	229
Other (miscellaneous)	876	886
Total other current liabilities	<u>\$ 4,056</u>	<u>\$ 2,616</u>

Other Long-Term Liabilities

	August 2, 2020	November 3, 2019
	(In millions)	
Unrecognized tax benefits	\$ 3,307	\$ 3,269
Contract liabilities	670	307
Other (miscellaneous)	1,833	2,037
Total other long-term liabilities	<u>\$ 5,810</u>	<u>\$ 5,613</u>

Other Income, net

Other income, net for the three fiscal quarters ended August 2, 2020 included a \$116 million one-time gain from the lapse of a tax indemnification arrangement.

Supplemental Cash Flow Information

	Fiscal Quarter Ended		Three Fiscal Quarters Ended	
	August 2, 2020	August 4, 2019	August 2, 2020	August 4, 2019
	(In millions)			
Cash paid for interest	\$ 269	\$ 368	\$ 1,025	\$ 980
Cash paid for income taxes	\$ 44	\$ 98	\$ 299	\$ 618

As of August 2, 2020 and August 4, 2019, \$37 million and \$30 million, respectively, of unpaid purchases of property, plant and equipment were included in accounts payable. Amounts reported as unpaid purchases are presented as cash outflows from investing activities for purchases of property, plant and equipment in the condensed consolidated statements of cash flows in the period in which they are paid.

5. Leases

Effective November 4, 2019, we adopted Topic 842 using the optional adoption method and elected practical expedients which allowed us to account for the lease and non-lease components as a single component. In addition, we elected not to reassess whether any expired or existing contracts contain leases and the corresponding lease classification and initial direct costs. The practical expedients were applied across our lease portfolios.

We determine if an arrangement is a lease, or contains a lease, at the inception of the arrangement and evaluate whether the lease is an operating lease or a finance lease at the commencement date. We recognize ROU assets and lease liabilities for operating and finance leases with terms greater than 12 months. ROU assets represent our right to use an asset for the lease term, while lease liabilities represent our obligation to make lease payments. Operating and finance lease ROU assets and liabilities are recognized based on the present value of lease payments over the lease term at the lease

commencement date. We use the implicit interest rate or, if not readily determinable, our incremental borrowing rate as of the lease commencement date to determine the present value of lease payments. The incremental borrowing rate is based on our unsecured borrowing rate, adjusted for the effects of collateral. Operating and finance lease ROU assets are recognized net of any lease prepayments and incentives. Lease terms may include options to extend or terminate the lease when it is reasonably certain that we will exercise that option. Operating lease expense is recognized on a straight-line basis over the lease term. Finance lease expense is recognized based on the effective-interest method over the lease term.

We entered into operating and finance leases for our facilities, data centers and certain equipment. For the fiscal quarter and three fiscal quarters ended August 2, 2020, we recorded \$27 million and \$78 million of operating lease expense, respectively, and \$4 million and \$9 million of finance lease expense, respectively. For the fiscal quarter and three fiscal quarters ended August 4, 2019, rent expense was \$61 million and \$187 million, respectively.

Other information related to leases was as follows:

	Three Fiscal Quarters Ended	
	August 2, 2020	
	(In millions)	
Cash paid for operating leases included in operating cash flows	\$	92
ROU assets obtained in exchange for operating lease liabilities	\$	674
ROU assets obtained in exchange for finance lease liabilities	\$	74

	August 2, 2020	
Weighted-average remaining lease term – operating leases (In years)		10
Weighted-average remaining lease term – finance leases (In years)		4
Weighted-average discount rate – operating leases		3.79 %
Weighted-average discount rate – finance leases		3.33 %

Supplemental balance sheet information related to leases was as follows:

	Classification on the Condensed Consolidated Balance Sheet	August 2, 2020	
		(In millions)	
ROU assets - operating leases	Other long-term assets	\$	606
ROU assets - finance leases	Property, plant and equipment, net	\$	65
Short-term lease liabilities - operating leases	Other current liabilities	\$	100
Long-term lease liabilities - operating leases	Other long-term liabilities	\$	546
Short-term lease liabilities - finance leases	Current portion of long-term debt	\$	15
Long-term lease liabilities - finance leases	Long-term debt	\$	52

The maturities of lease liabilities were as follows:

	August 2, 2020	
	Operating Leases	Finance Leases
	(In millions)	
2020 (remainder)	\$ 30	\$ 4
2021	117	17
2022	94	17
2023	83	17
2024	64	17
Thereafter	409	—
Total undiscounted liabilities	797	72
Less: interest	151	5
Present value of lease liabilities	\$ 646	\$ 67

As of November 3, 2019, future minimum lease payments under non-cancelable lease liabilities prior to our adoption of Topic 842 were as follows:

	November 3, 2019	
	(In millions)	
2020	\$ 115	
2021	99	
2022	80	
2023	69	
2024	47	
Thereafter	390	
Total minimum lease payments	\$ 800	

6. Goodwill and Intangible Assets

Goodwill

	Semiconductor Solutions	Infrastructure Software	IP Licensing	Total
	(In millions)			
Balance as of November 3, 2019	\$ 25,929	\$ 10,776	\$ 9	\$ 36,714
Reallocation due to change in segments	9	—	(9)	—
Acquisitions	35	6,712	—	6,747
Sale of business	(14)	—	—	(14)
Balance as of August 2, 2020	\$ 25,959	\$ 17,488	\$ —	\$ 43,447

During the first quarter of fiscal year 2020, we changed our organizational structure to include our IP licensing segment in our semiconductor solutions segment, resulting in two reportable segments: semiconductor solutions and infrastructure software.

Intangible Assets

	Gross Carrying Amount	Accumulated Amortization	Net Book Value
	(In millions)		
As of August 2, 2020:			
Purchased technology	\$ 24,119	\$ (12,965)	\$ 11,154
Customer contracts and related relationships	8,389	(2,832)	5,557

	Gross Carrying Amount	Accumulated Amortization	Net Book Value
	(In millions)		
Order backlog	2,579	(1,604)	975
Trade names	797	(302)	495
Other	260	(109)	151
Intangible assets subject to amortization	36,144	(17,812)	18,332
In-process research and development	25	—	25
Total	\$ 36,169	\$ (17,812)	\$ 18,357

As of November 3, 2019:

Purchased technology	\$ 20,935	\$ (10,113)	\$ 10,822
Customer contracts and related relationships	5,978	(1,787)	4,191
Order backlog	2,569	(908)	1,661
Trade names	712	(247)	465
Other	241	(89)	152
Intangible assets subject to amortization	30,435	(13,144)	17,291
In-process research and development	263	—	263
Total	\$ 30,698	\$ (13,144)	\$ 17,554

Based on the amount of intangible assets subject to amortization at August 2, 2020, the expected amortization expense for each of the next five years and thereafter was as follows:

Fiscal Year:	Expected Amortization Expense
	(In millions)
2020 (remainder)	\$ 1,568
2021	5,417
2022	4,374
2023	3,237
2024	2,365
Thereafter	1,371
Total	\$ 18,332

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

Amortizable intangible assets:	August 2, 2020
	(In years)
Purchased technology	5
Customer contracts and related relationships	4
Order backlog	2
Trade names	9
Other	9

7. Net Income Per Share

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

Diluted shares outstanding include the dilutive effect of unvested restricted stock units ("RSUs"), in-the-money stock options and employee stock purchase plan rights under the Broadcom Inc. Employee Stock Purchase Plan, as amended ("ESPP"), (collectively referred to as "equity awards"), as well as Mandatory Convertible Preferred Stock, as defined in Note 9. "Stockholders' Equity." Potentially dilutive shares whose effect would have been antidilutive are excluded from the computation of diluted net income per share.

The dilutive effect of equity awards is calculated based on the average stock price for each fiscal period, using the treasury stock method. Under the treasury stock method, the amount the employee must pay for exercising stock options and purchasing shares under the ESPP and the amount of compensation cost for future service that we have not yet recognized are collectively assumed to be used to repurchase shares. The dilutive effect of Mandatory Convertible Preferred Stock is calculated using the if-converted method. The if-converted method assumes that these securities were converted at the beginning of the reporting period to the extent that the effect is dilutive.

For each of the fiscal quarter and three fiscal quarters ended August 2, 2020, diluted net income per share excluded the potentially dilutive effect of 12 million shares of common stock issuable upon the conversion of Mandatory Convertible Preferred Stock as their effect was antidilutive.

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

	Fiscal Quarter Ended		Three Fiscal Quarters Ended	
	August 2, 2020	August 4, 2019	August 2, 2020	August 4, 2019
(In millions, except per share data)				
Numerator:				
Income from continuing operations	\$ 689	\$ 715	\$ 1,637	\$ 1,889
Dividends on preferred stock	(74)	—	(223)	—
Income from continuing operations attributable to common stock	615	715	1,414	1,889
Loss from discontinued operations, net of income taxes, attributable to common stock	(1)	—	(1)	(12)
Net income attributable to common stock	<u>\$ 614</u>	<u>\$ 715</u>	<u>\$ 1,413</u>	<u>\$ 1,877</u>
Denominator:				
Weighted-average shares outstanding - basic	403	398	401	399
Dilutive effect of equity awards	19	20	19	21
Weighted-average shares outstanding - diluted	<u>422</u>	<u>418</u>	<u>420</u>	<u>420</u>
Basic income per share attributable to common stock:				
Income per share from continuing operations	\$ 1.53	\$ 1.80	\$ 3.53	\$ 4.73
Loss per share from discontinued operations	(0.01)	—	(0.01)	(0.03)
Net income per share	<u>\$ 1.52</u>	<u>\$ 1.80</u>	<u>\$ 3.52</u>	<u>\$ 4.70</u>
Diluted income per share attributable to common stock:				
Income per share from continuing operations	\$ 1.46	\$ 1.71	\$ 3.37	\$ 4.50
Loss per share from discontinued operations	(0.01)	—	(0.01)	(0.03)
Net income per share	<u>\$ 1.45</u>	<u>\$ 1.71</u>	<u>\$ 3.36</u>	<u>\$ 4.47</u>

8. Borrowings

	August 2, 2020		November 3, 2019	
	Effective Interest Rate	Aggregate Principal Amount	Effective Interest Rate	Aggregate Principal Amount
(In millions)				
<u>June 2020 Senior Notes - fixed rate</u>				
3.459% notes due September 2026	4.19 %	\$ 1,695	\$	—
4.110% notes due September 2028	5.02 %	2,222		—
<u>May 2020 Senior Notes - fixed rate</u>				
2.250% notes due November 2023	2.40 %	1,000		—
3.150% notes due November 2025	3.29 %	2,250		—
4.150% notes due November 2030	4.27 %	2,750		—
4.300% notes due November 2032	4.39 %	2,000		—
<u>April 2020 Senior Notes - fixed rate</u>				
4.700% notes due April 2025	4.88 %	2,250		—
5.000% notes due April 2030	5.18 %	2,250		—
<u>November 2019 Term Loans - floating rate</u>				
LIBOR plus 1.125% term loan due November 2022	1.56 %	4,819		—
LIBOR plus 1.250% term loan due November 2024	1.58 %	4,069		—
<u>May 2019 Term Loans - floating rate</u>				
LIBOR plus 1.250% term loan due May 2024		—	3.36 %	800
LIBOR plus 1.375% term loan due May 2026		—	3.45 %	800
<u>April 2019 Senior Notes - fixed rate</u>				
3.125% notes due April 2021	3.61 %	525	3.61 %	2,000
3.125% notes due October 2022	3.53 %	693	3.53 %	1,500
3.625% notes due October 2024	3.98 %	1,044	3.98 %	2,000
4.250% notes due April 2026	4.54 %	2,500	4.54 %	2,500
4.750% notes due April 2029	4.95 %	3,000	4.95 %	3,000
<u>2017 Senior Notes - fixed rate</u>				
2.375% notes due January 2020		—	2.62 %	2,750
2.200% notes due January 2021	2.41 %	282	2.41 %	750
3.000% notes due January 2022	3.21 %	842	3.21 %	3,500
2.650% notes due January 2023	2.78 %	1,000	2.78 %	1,000
3.625% notes due January 2024	3.74 %	1,352	3.74 %	2,500
3.125% notes due January 2025	3.23 %	1,000	3.23 %	1,000
3.875% notes due January 2027	4.02 %	4,800	4.02 %	4,800
3.500% notes due January 2028	3.60 %	1,250	3.60 %	1,250
<u>Assumed CA Senior Notes - fixed rate</u>				
5.375% notes due December 2019		—	3.43 %	750
3.600% notes due August 2022	4.07 %	283	4.07 %	500
4.500% notes due August 2023	4.10 %	250	4.10 %	250
4.700% notes due March 2027	5.15 %	350	5.15 %	350

	August 2, 2020		November 3, 2019	
	Effective Interest Rate	Aggregate Principal Amount	Effective Interest Rate	Aggregate Principal Amount
	(In millions)			
Other borrowings				
Commercial paper		—	2.55 % ^(a)	1,000
1.375% convertible notes due January 2020		—	0.63 %	37
2.500% - 4.500% senior notes due August 2022 - August 2034	2.59%-4.55%	22	2.59%-4.55%	22
Total principal amount outstanding		44,498		33,059
Less: Unamortized premium/discount and issuance costs		(542)		(261)
Total debt		\$ 43,956		\$ 32,798

(a) Represents the weighted average interest rate on outstanding commercial paper.

As of August 2, 2020, \$15 million of short-term and \$52 million of long-term finance lease liabilities were included in the current portion of long-term debt and long-term debt, respectively, on the condensed consolidated balance sheet.

June 2020 Senior Notes

On June 4, 2020, we completed the settlement of our private offers to exchange \$3,742 million of certain series of our outstanding notes maturing between 2021 and 2024, for \$1,695 million of new senior notes due 2026 and \$2,222 million of new senior notes due 2028 (collectively, the “June 2020 Senior Notes”). As a result of this exchange, we incurred premiums of \$177 million. The June 2020 Senior Notes are fully and unconditionally guaranteed, jointly and severally, on an unsecured, unsubordinated basis by Broadcom Corporation (“BRCM”) and Broadcom Technologies Inc. (“BTI”). We may, at our option, redeem or purchase, in whole or in part, any of the June 2020 Senior Notes prior to their respective maturities, subject to a specified make-whole premium determined in accordance with the indenture governing the June 2020 Senior Notes, plus accrued and unpaid interest. Additionally, in the event of a change in control, note holders will have the right to require us to repurchase their notes at a price equal to 101% of the principal amount of such notes plus accrued and unpaid interest. As of August 2, 2020, the June 2020 Senior Notes were recorded as long-term debt, net of discount and issuance costs, which are amortized to interest expense over the respective terms of these borrowings.

May 2020 Senior Notes

On May 8, 2020, we issued \$8 billion of senior unsecured notes, which consisted of \$1,000 million of senior notes due 2023, \$2,250 million of senior notes due 2025, \$2,750 million of senior notes due 2030 and \$2,000 million of senior notes due 2032 (collectively, the “May 2020 Senior Notes”). The May 2020 Senior Notes are fully and unconditionally guaranteed, jointly and severally, on an unsecured, unsubordinated basis by BRCM and BTI. We may, at our option, redeem or purchase, in whole or in part, any of the May 2020 Senior Notes prior to their respective maturities, subject to a specified make-whole premium determined in accordance with the indenture governing the May 2020 Senior Notes, plus accrued and unpaid interest. Additionally, in the event of a change in control, note holders will have the right to require us to repurchase their notes at a price equal to 101% of the principal amount of such notes plus accrued and unpaid interest. As of August 2, 2020, the May 2020 Senior Notes were recorded as long-term debt, net of discount and issuance costs, which are amortized to interest expense over the respective terms of these borrowings.

The net proceeds from this issuance, together with the remaining net proceeds from the issuance of the April 2020 Senior Notes, as defined below, were used to repay an aggregate of \$5,424 million of term loans outstanding under the November 2019 Credit Agreement, as defined below, consisting of repayments of \$2,712 million of each of our unsecured term A-3 and A-5 facilities, and \$3 billion of borrowings outstanding under the Revolving Facility, as defined below.

April 2020 Senior Notes

In April 2020, we issued \$4.5 billion of senior unsecured notes (the “April 2020 Senior Notes”). The April 2020 Senior Notes are fully and unconditionally guaranteed, jointly and severally, on an unsecured, unsubordinated basis by BRCM and BTI. We may, at our option, redeem or purchase, in whole or in part, any of the April 2020 Senior Notes prior to their respective maturities, subject to a specified make-whole premium determined in accordance with the indenture governing the April 2020 Senior Notes, plus accrued and unpaid interest. Additionally, in the event of a change in control, note holders will have the right to require us to repurchase their notes at a price equal to 101% of the principal amount of such notes plus

accrued and unpaid interest. As of August 2, 2020, the April 2020 Senior Notes were recorded as long-term debt, net of discount and issuance costs, which are amortized to interest expense over the respective terms of these borrowings.

Pursuant to a cash tender offer that we completed on April 23, 2020, we repurchased \$2,361 million of our 3.000% notes due January 2022, \$1,274 million of our 3.125% notes due April 2021 and \$351 million of our 2.200% notes due January 2021 with the net proceeds from the April 2020 Senior Notes. As a result of these repurchases, we incurred premiums of \$78 million and wrote off \$15 million of unamortized discount and issuance costs, both of which were included in interest expense in the condensed consolidated statements of operations.

November 2019 Term Loans

On November 4, 2019, in connection with the Symantec Asset Purchase, we entered into a credit agreement (the “November 2019 Credit Agreement”), which provides for a \$7,750 million unsecured term A-3 facility and a \$7,750 million unsecured term A-5 facility (collectively, the “November 2019 Term Loans”). Interest on our November 2019 Term Loans is based on a floating rate. We used \$10.7 billion of the net proceeds from the November 2019 Term Loans to fund the Symantec Asset Purchase. During the fiscal quarter ended February 2, 2020, we also used the net proceeds to repay \$750 million principal amount of 5.375% notes due December 1, 2019 and \$2,750 million principal amount of 2.375% notes due January 15, 2020, on their respective maturity dates. Our obligations under the November 2019 Credit Agreement are guaranteed on an unsecured basis by BRCM and BTI. During the fiscal quarter ended May 3, 2020, we repaid \$194 million of each of our unsecured term A-3 and A-5 facilities.

During the fiscal quarter ended August 2, 2020, as discussed above, we used the net proceeds from the May 2020 Senior Notes and the remaining net proceeds from the April 2020 Senior Notes to repay a portion of our November 2019 Term Loans. Additionally, we made repayments with cash on hand. In total, we repaid an aggregate of \$6,224 million of our November 2019 Term Loans, consisting of repayments of \$2,737 million and \$3,487 million of our unsecured term A-3 and A-5 facilities, respectively, and wrote off \$44 million of unamortized discount and issuance costs. As a result of these repayments, all remaining principal payments are due more than one year after August 2, 2020 and were included in long-term debt.

May 2019 Term Loans

In January 2020, we repaid an aggregate of \$1 billion of term loans consisting of \$500 million of each of our unsecured term A-5 and A-7 facilities (collectively, the “May 2019 Term Loans”) under the credit agreement entered into in May 2019 (the “May 2019 Credit Agreement”). In July 2020, we repaid an aggregate of \$600 million of the May 2019 Term Loans, representing the outstanding balance of the May 2019 Term Loans.

The May 2019 Credit Agreement provides for a five-year \$5 billion unsecured revolving facility (the “Revolving Facility”), of which \$500 million is available for the issuance of multi-currency letters of credit. The issuance of letters of credit and certain other instruments reduce the aggregate amount otherwise available under the Revolving Facility for revolving loans. Subject to the terms of the May 2019 Credit Agreement, we are permitted to borrow, repay and reborrow revolving loans at any time, prior to the earlier of (a) May 2024 or (b) the date of termination, in whole of the revolving lenders’ commitments under the May 2019 Credit Agreement in accordance with the terms thereof. On May 8, 2020, using net proceeds from the May 2020 Senior Notes and April 2020 Senior Notes, we repaid \$3 billion of borrowings outstanding under the Revolving Facility. As of August 2, 2020 and November 3, 2019, we had no borrowings outstanding under the Revolving Facility.

Commercial Paper

In February 2019, we established a commercial paper program pursuant to which we may issue unsecured commercial paper notes (“Commercial Paper”) in principal amount of up to \$2 billion outstanding at any time with maturities of up to 397 days from the date of issue. Commercial Paper is sold under customary terms in the commercial paper market and may be issued at a discount from par or, alternatively, may be sold at par and bear interest at rates dictated by market conditions at the time of their issuance. As of August 2, 2020, we had no Commercial Paper outstanding. We had \$1 billion of Commercial Paper outstanding as of November 3, 2019 with maturities generally less than three months. As our commercial paper program is supported by the Revolving Facility, we have the ability and intent to continuously refinance Commercial Paper. As a result, we record Commercial Paper, net of discount, as long-term debt. The discount associated with the Commercial Paper is amortized to interest expense over its term. Outstanding Commercial Paper reduces the amount that would otherwise be available to borrow for general corporate purposes under the Revolving Facility.

Exchange Offer

In connection with the issuance of the June 2020 Senior Notes, May 2020 Senior Notes, April 2020 Senior Notes (collectively, the “2020 Senior Notes”) and \$11 billion of senior unsecured notes in April 2019 (the “April 2019 Senior Notes”), we entered into registration rights agreements, pursuant to which we were obligated to use commercially reasonable efforts to file with the SEC, and cause to be declared effective, a registration statement with respect to an offer to exchange (the “Exchange Offer”) each series of the 2020 Senior Notes and April 2019 Senior Notes for notes that are registered with the SEC (the “Registered Notes”), with substantially identical terms. On July 6, 2020, we launched the Exchange Offer, which expired on August 7, 2020. Substantially all of our 2020 Senior Notes and April 2019 Senior Notes were tendered and exchanged for the corresponding Registered Notes in the Exchange Offer.

Fair Value of Debt

As of August 2, 2020, the estimated aggregate fair value of debt was \$48,483 million. The fair value of our senior notes was determined using quoted prices from less active markets. The estimated fair value of our November 2019 Term Loans approximated carrying value due to their floating interest rates and consistency in our credit ratings. All of our debt obligations are categorized as Level 2 instruments.

Future Principal Payments of Debt

The future scheduled principal payments of debt as of August 2, 2020 were as follows:

Fiscal Year:	Future Scheduled Principal Payments
	(In millions)
2020 (remainder)	\$ —
2021	807
2022	1,827
2023	6,069
2024	3,403
Thereafter	32,392
Total	\$ 44,498

As of August 2, 2020 and November 3, 2019, we accrued interest payable of \$306 million and \$214 million, respectively, and were in compliance with all debt covenants.

9. Stockholders' Equity

Mandatory Convertible Preferred Stock

On September 30, 2019, we completed an offering of approximately 4 million shares of 8.00% Mandatory Convertible Preferred Stock, Series A, \$0.001 par value per share (“Mandatory Convertible Preferred Stock”), which generated net proceeds of approximately \$3,679 million.

On September 30, 2022, unless earlier converted, each outstanding share of Mandatory Convertible Preferred Stock will automatically convert into shares of our common stock at a rate between the then minimum and maximum conversion rates. At any time prior to September 30, 2022, holders may elect to convert each share of Mandatory Convertible Preferred Stock into shares of our common stock at the then minimum conversion rate. The conversion rates are subject to anti-dilution adjustments. As of August 2, 2020, the minimum conversion rate was 3.0516 and the maximum conversion rate was 3.5670.

We recognized \$28 million and \$29 million of accrued preferred stock dividends, which were presented as temporary equity on our condensed consolidated balance sheets as of August 2, 2020 and November 3, 2019, respectively.

Cash Dividends Declared and Paid

	Fiscal Quarter Ended		Three Fiscal Quarters Ended	
	August 2, 2020	August 4, 2019	August 2, 2020	August 4, 2019
(In millions, except per share data)				
Dividends per share to common stockholders	\$ 3.25	\$ 2.65	\$ 9.75	\$ 7.95
Dividends to common stockholders	\$ 1,312	\$ 1,057	\$ 3,915	\$ 3,181
Dividends per share to preferred stockholders	\$ 20.00	\$ —	\$ 60.00	\$ —
Dividends to preferred stockholders	\$ 74	\$ —	\$ 224	\$ —

Stock-Based Compensation Expense

	Fiscal Quarter Ended		Three Fiscal Quarters Ended	
	August 2, 2020	August 4, 2019	August 2, 2020	August 4, 2019
(In millions)				
Cost of products sold	\$ 26	\$ 34	\$ 84	\$ 89
Cost of subscriptions and services	11	13	37	33
Research and development	337	456	1,101	1,138
Selling, general and administrative	91	129	305	381
Total stock-based compensation expense	\$ 465	\$ 632	\$ 1,527	\$ 1,641

As of August 2, 2020, the total unrecognized compensation cost related to unvested stock-based awards was \$4,534 million, which is expected to be recognized over the remaining weighted-average service period of 3.6 years.

Equity Incentive Award Plans

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

	Number of RSUs Outstanding	Weighted-Average Grant Date Fair Value Per Share
	(In millions, except per share data)	
Balance as of November 3, 2019	40	\$ 188.52
Granted	2	\$ 250.82
Vested	(6)	\$ 207.57
Forfeited	(2)	\$ 197.88
Balance as of August 2, 2020	34	\$ 189.99

The aggregate fair value of time- and market-based RSUs that vested during the three fiscal quarters ended August 2, 2020 was \$1,670 million, which represents the market value of our common stock on the date that the RSUs vested. The number of RSUs vested included shares of common stock that we withheld for settlement of employees' tax obligations due upon the vesting of RSUs.

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

	Number of Options Outstanding	Weighted- Average Exercise Price Per Share	Weighted- Average Remaining Contractual Life (In years)	Aggregate Intrinsic Value
(In millions, except years and per share data)				
Balance as of November 3, 2019	4	\$ 51.83		
Exercised	(2)	\$ 48.01		\$ 629
Balance as of August 2, 2020	2	\$ 56.97	0.5	\$ 489
Fully vested as of August 2, 2020	2	\$ 56.98	0.5	\$ 488
Fully vested and expected to vest as of August 2, 2020	2	\$ 56.97	0.5	\$ 489

10. Income Taxes

The benefit from income taxes was \$96 million and \$331 million for the fiscal quarter and three fiscal quarters ended August 2, 2020, respectively, compared to \$171 million and \$410 million for the fiscal quarter and three fiscal quarters ended August 4, 2019, respectively.

The benefit from income taxes for the fiscal quarter and three fiscal quarters ended August 2, 2020 was primarily due to the jurisdictional mix of income and expense, the remeasurement of certain foreign deferred tax assets and liabilities, and excess tax benefits from stock-based awards that vested or were exercised during the periods.

In connection with the Symantec Asset Purchase, we established \$28 million of net deferred tax assets primarily as a result of the difference in the book basis and tax basis related to acquired assets. The deferred tax assets are based upon certain assumptions underlying our preliminary purchase price allocation. Upon finalization of the purchase price allocation, additional adjustments to the amount of our net deferred taxes may be required, provided we are in the measurement period.

The benefit from income taxes for the fiscal quarter ended August 4, 2019 was primarily due to the remeasurement of certain foreign deferred tax assets and liabilities, internal reorganizations and excess tax benefits from stock-based awards that vested or were exercised during the period.

The benefit from income taxes for the three fiscal quarters ended August 4, 2019 was primarily due to excess tax benefits from stock-based awards that vested or were exercised during the period, recognition of gross uncertain tax benefits as a result of audit settlements and lapses of statutes of limitations, deferred tax remeasurement in a foreign jurisdiction, internal reorganizations, and the partial release of our valuation allowance as a result of the CA Merger, partially offset by a change in estimate of our fiscal year 2018 provision resulting from regulations issued related to the U.S. Tax Cuts and Jobs Act.

On March 27, 2020, the Coronavirus Aid, Relief and Economic Security Act (the "CARES Act") was enacted and signed into law. The CARES Act includes a number of income tax changes, including, but not limited to, (i) permitting net operating loss carrybacks to offset 100% of taxable income for taxable years beginning before 2021, (ii) accelerating alternative minimum tax refunds and (iii) temporarily increasing the allowable business interest deduction from 30% to 50% of adjusted taxable income. These changes did not have a material impact on the condensed consolidated financial statements presented herein.

Uncertain Tax Positions

The balance of gross unrecognized tax benefits was \$4,643 million and \$4,422 million as of August 2, 2020 and November 3, 2019, respectively. This increase was primarily due to changes in uncertain tax positions from adjustments arising from audits conducted by tax authorities.

Accrued interest and penalties are included in other long-term liabilities on the condensed consolidated balance sheets. As of August 2, 2020 and November 3, 2019, the combined amount of cumulative accrued interest and penalties was approximately \$336 million and \$303 million, respectively.

As of August 2, 2020 and November 3, 2019, approximately \$4,979 million and \$4,725 million, respectively, of the unrecognized tax benefits, including accrued interest and penalties, would affect our effective tax rate if favorably resolved.

We are subject to U.S. income tax examination for fiscal years 2013 and later. Certain of our acquired companies are subject to tax examinations in major jurisdictions outside of the U.S. for fiscal years 2008 and later. It is possible that our

existing unrecognized tax benefits may change up to \$263 million as a result of lapses of the statute of limitations for certain audit periods and/or audit examinations expected to be completed within the next 12 months.

11. Segment Information

Reportable Segments

During the first quarter of fiscal year 2020, we updated our organizational structure resulting in two reportable segments: semiconductor solutions and infrastructure software. Each segment represents components for which separate financial information is available that is utilized on a regular basis by the CODM in determining how to allocate resources and evaluate performance. The reportable segments are determined based on several factors including, but not limited to, customer base, homogeneity of products, technology, delivery channels and similar economic characteristics.

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

Infrastructure software. We provide a portfolio of mainframe, enterprise and storage area networking solutions, which enables customers to leverage the benefits of agility, automation, insights, resiliency and security in managing business processes and technology investments, and to reduce the cost and complexity of managing business information within a shared storage environment. We also offer a cybersecurity solutions portfolio, including data loss prevention, endpoint protection, and web, email and cloud security solutions.

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

Unallocated Expenses

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

Depreciation expense directly attributable to each reportable segment is included in the operating results of each segment. However, the CODM does not evaluate depreciation expense by operating segment and, therefore, it is not separately presented. There was no inter-segment revenue for the fiscal quarter and three fiscal quarters ended August 2, 2020 and August 4, 2019. The accounting policies of the segments are the same as those described in the summary of significant accounting policies.

	Fiscal Quarter Ended		Three Fiscal Quarters Ended	
	August 2, 2020	August 4, 2019	August 2, 2020	August 4, 2019
(In millions)				
Net revenue:				
Semiconductor solutions	\$ 4,219	\$ 4,375	\$ 12,437	\$ 12,865
Infrastructure software	1,602	1,140	4,984	3,956
Total net revenue	<u>\$ 5,821</u>	<u>\$ 5,515</u>	<u>\$ 17,421</u>	<u>\$ 16,821</u>
Operating income:				
Semiconductor solutions	\$ 2,045	\$ 2,081	\$ 5,864	\$ 6,012
Infrastructure software	1,136	829	3,432	2,899
Unallocated expenses	(2,173)	(2,045)	(6,808)	(6,521)
Total operating income	<u>\$ 1,008</u>	<u>\$ 865</u>	<u>\$ 2,488</u>	<u>\$ 2,390</u>

Significant Customer Information

We sell our products through our direct sales force and a select network of distributors and channel partners globally. No customer accounted for 10% or more of our net accounts receivable balance as of August 2, 2020, while one customer accounted for 24% of our net accounts receivable balance as of November 3, 2019.

No customer accounted for 10% or more of our net revenue for the fiscal quarter ended August 2, 2020. One customer accounted for 12% of our net revenue for the three fiscal quarters ended August 2, 2020, and 16% and 15% of our net revenue for the fiscal quarter and three fiscal quarters ended August 4, 2019, respectively. Net revenue from this customer was primarily included in our semiconductor solutions segment.

12. Commitments and Contingencies

Commitments

The following table summarizes contractual obligations and commitments as of August 2, 2020 that materially changed from the end of fiscal year 2019:

	Fiscal Year						
	Total	2020	2021	2022	2023	2024	Thereafter
		(remainder)					
	(In millions)						
Debt principal, interest and fees	\$ 54,772	\$ 375	\$ 2,327	\$ 3,314	\$ 7,440	\$ 4,705	\$ 36,611
Purchase commitments	1,034	820	163	51	—	—	—
Other contractual commitments	1,098	122	196	183	172	126	299
Total	\$ 56,904	\$ 1,317	\$ 2,686	\$ 3,548	\$ 7,612	\$ 4,831	\$ 36,910

Debt Principal, Interest and Fees. Represents principal, estimated interest and fees on our borrowings. For borrowings subject to a floating interest rate, the estimated interest was based on the rate in effect during the last month of the fiscal quarter ended August 2, 2020.

Purchase Commitments. Represents unconditional purchase obligations that include agreements to purchase goods or services, primarily inventory, that are enforceable and legally binding on us and that specify all significant terms, including fixed or minimum quantities to be purchased, fixed, minimum or variable price provisions, and the approximate timing of the transaction. Purchase obligations exclude agreements that are cancelable without penalty. Cancellation for outstanding purchase orders for capital expenditures in connection with construction of our new campuses is generally allowed but requires payment of all costs incurred through the date of cancellation and, therefore, cancelable purchase orders for these capital expenditures are included in the table above.

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

Due to the inherent uncertainty with respect to the timing of future cash outflows associated with our unrecognized tax benefits at August 2, 2020, we are unable to reliably estimate the timing of cash settlement with the respective taxing authorities. Therefore, \$3,307 million of unrecognized tax benefits and accrued interest classified within other long-term liabilities on our condensed consolidated balance sheet as of August 2, 2020 have been excluded from the contractual obligations table above.

Standby Letters of Credit

As of August 2, 2020 and November 3, 2019, we had standby letters of credit of \$63 million and \$62 million, respectively. Standby letters of credit are financial guarantees provided by third parties for leases, customs, taxes and certain self-insured risks. If the guarantees are called, we must reimburse the provider of the guarantees.

Contingencies

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

Lawsuits Relating to California Institute of Technology

California Institute of Technology ("Caltech") filed a complaint against Broadcom and Apple Inc. on May 26, 2016 in the United States District Court for the Central District of California (the "U.S. Central District Court"), and an amended complaint adding Cypress Semiconductor Corporation as a defendant on August 15, 2016. The amended complaint alleged that chips that support certain error correction codes as specified in IEEE Standards 802.11n and 802.11ac willfully infringed four patents related to error correction coding: U.S. Patent Nos. 7,116,710; 7,421,032; 7,916,781; and 8,284,833 ("833 patent"). Prior to trial, Caltech dismissed its claims against Cypress and withdrew its infringement allegations as to 833 patent. The complaint sought a preliminary and permanent injunction, damages, pre- and post-judgement interest, as well as attorneys' fees, costs, and expenses. The trial was held in January 2020, and on January 29, 2020, the jury issued its verdict finding infringement and awarding Caltech past damages of \$270.2 million from Broadcom and \$837.8 million from Apple, for which Apple is seeking indemnification from Broadcom. On August 3, 2020, the U.S. Central District Court issued its judgement, awarding Caltech past damages in the amounts awarded by the jury, as well as pre- and post-judgement interest. Additionally, the U.S. Central District Court awarded Caltech an unspecified amount of ongoing royalties to be determined after the anticipated appeals process is resolved. Neither the jury nor the U.S. Central District Court found willful infringement, which if it had, could have resulted in enhanced damages up to three times the amount awarded. Broadcom and Apple will appeal to the United States Court of Appeals for the Federal Circuit.

We believe that the evidence and the law do not support the U.S. Central District Court's findings of infringement or the award of damages, including ongoing royalties, and do not believe a material loss is probable at this time. We believe that there are strong grounds for appeal, and we intend to vigorously challenge the U.S. Central District Court's judgement and rulings. As a result, we have not recorded a reserve with respect to this litigation, in accordance with the applicable accounting standards. We believe the low end of the possible range of loss is zero, but we cannot reasonably estimate the ultimate outcome, as a number of factors (including appeals by both Broadcom and Caltech) could significantly change the assessment of damages.

Lawsuits Relating to the Acquisition of Emulex Corporation

On April 8, 2015, a putative class action complaint was filed in the U.S. Central District Court, entitled Gary Varjabedian, et al. v. Emulex Corporation, et al., No. 8:15-cv-554-CJC-JCG. The complaint names as defendants Emulex Corporation ("Emulex"), its directors, Avago Technologies Wireless (U.S.A.) Manufacturing ("AT Wireless") and Emerald Merger Sub, and purported to assert claims under Sections 14(d), 14(e) and 20(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). The complaint alleged, among other things, that the board of directors of Emulex failed to provide material information and/or omitted material information from the Solicitation/Recommendation Statement on Schedule 14D-9 filed with the SEC on April 7, 2015 by Emulex, together with the exhibits and annexes thereto. The complaint sought to enjoin the tender offer to purchase all of the outstanding shares of Emulex common stock, as well as certain other equitable relief and attorneys' fees and costs. On July 28, 2015, the U.S. Central District Court issued an order appointing the lead plaintiff and

approving lead counsel for the putative class. On September 9, 2015, plaintiff filed a first amended complaint seeking rescission of the merger, unspecified money damages, other equitable relief and attorneys' fees and costs. On October 13, 2015, defendants moved to dismiss the first amended complaint, which the U.S. Central District Court granted with prejudice on January 13, 2016. Plaintiff filed a notice of appeal to the United States Court of Appeals for the Ninth Circuit (the "Ninth Circuit Court") on January 15, 2016. The appeal is captioned Gary Varjabedian, et al. v. Emulex Corporation, et al., No. 16-55088. On June 27, 2016, the Plaintiff-Appellant filed his opening brief, on August 17 and August 22, 2016, the Defendants-Appellees filed their answering briefs, and on October 5, 2016 Plaintiff-Appellant filed his reply brief. The Ninth Circuit Court heard oral arguments on October 5, 2017. On April 20, 2018, the Ninth Circuit Court issued an opinion affirming in part and reversing in part the decision of the U.S. Central District Court and remanding Plaintiff-Appellant's claims under Sections 14(e) and 20(a) of the Exchange Act to the U.S. Central District Court for reconsideration. On May 4, 2018, the Defendants-Appellees filed a Petition for Rehearing En Banc with the Ninth Circuit Court. On July 13, 2018, Plaintiff-Appellant filed an Opposition to the Petition for Rehearing En Banc. On September 6, 2018, the Ninth Circuit Court issued an order denying the Petition for Rehearing En Banc. On October 11, 2018, Defendants-Appellees filed a Petition for a Writ of Certiorari to the United States Supreme Court (the "U.S. Supreme Court"), which was granted on January 4, 2019. On April 23, 2019, the U.S. Supreme Court dismissed the writ of certiorari as having been improvidently granted. On May 28, 2019, the Ninth Circuit Court remanded the case back to the U.S. Central District Court. On October 6, 2019, Plaintiff voluntarily dismissed AT Wireless from this action and the remaining defendants, Emulex and its directors, filed motions to dismiss the complaint on October 7, 2019. On February 26, 2020, the U.S. Central District Court dismissed Plaintiff's complaint with prejudice.

Other Matters

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

Contingency Assessment

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

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

Other Indemnifications

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

13. Restructuring Charges

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

- During the first quarter of fiscal year 2020, we initiated cost reduction activities associated with the Symantec Asset Purchase. As a result, we recognized \$61 million and \$151 million of restructuring expense primarily related to employee termination costs during the fiscal quarter and three fiscal quarters ended August 2, 2020, respectively. We expect these restructuring activities to be substantially completed by the end of fiscal year 2020.

- During the first quarter of fiscal year 2019, we initiated cost reduction activities associated with the CA Merger. As a result, we recognized \$22 million of restructuring expense during the three fiscal quarters ended August 2, 2020, and \$35 million and \$710 million during the fiscal quarter and three fiscal quarters ended August 4, 2019, respectively, primarily related to employee termination and lease and other exit costs. We expect these restructuring activities to be substantially completed by the end of fiscal year 2020.

The following table summarizes the significant activities within, and components of, the restructuring liabilities during the three fiscal quarters ended August 2, 2020:

	Employee Termination Costs	Leases and Other Exit Costs	Total
	(In millions)		
Balance as of November 3, 2019	\$ 69	\$ 39	\$ 108
Restructuring charges ^(a)	165	34	199
Utilization	(130)	(37)	(167)
Effect of adoption of Topic 842 ^(b)	—	(36)	(36)
Balance as of August 2, 2020 ^(c)	<u>\$ 104</u>	<u>\$ —</u>	<u>\$ 104</u>

(a) Included \$19 million of restructuring expense related to discontinued operations recognized during the three fiscal quarters ended August 2, 2020, which was included in loss from discontinued operations.

(b) Upon adoption of Topic 842, certain restructuring lease liabilities were required to be recognized as a reduction to the corresponding ROU assets.

(c) The majority of the employee termination costs balance is expected to be paid within the next six months.

14. Subsequent Events

Preferred Stock Cash Dividends Declared

On September 2, 2020, our Board of Directors declared a quarterly cash dividend of \$20.00 per share on our Mandatory Convertible Preferred Stock, payable on September 30, 2020 to stockholders of record on September 15, 2020.

Common Stock Cash Dividends Declared

On September 2, 2020, our Board of Directors declared a quarterly cash dividend of \$3.25 per share on our common stock, payable on September 30, 2020 to stockholders of record on September 22, 2020.

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

The following discussion and analysis of the financial condition and results of operations should be read in conjunction with the unaudited condensed consolidated financial statements and the related notes thereto included elsewhere in this Quarterly Report on Form 10-Q ("Form 10-Q") and the audited consolidated financial statements and notes thereto and management's discussion and analysis of financial condition and results of operations for the fiscal year ended November 3, 2019 ("fiscal year 2019") included in our Annual Report on Form 10-K for fiscal year 2019 ("2019 Annual Report on Form 10-K"). References to "Broadcom," "we," "our" and "us" are to Broadcom Inc. and its consolidated subsidiaries, unless otherwise specified or the context otherwise requires. This Form 10-Q may contain predictions, estimates and other forward-looking statements that involve a number of risks and uncertainties, which are made under the safe harbor provisions of Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). These forward-looking statements may include the potential impact of the COVID-19 pandemic; projections of financial information; statements about historical results that may suggest trends for our business; statements of the plans, strategies and objectives of management for future operations; and statements of expectation or belief regarding future events (including any acquisitions we may make), technology developments, our products, product sales, expenses, liquidity, cash flow and growth rates, customer concentration and relationships, or enforceability of our intellectual property ("IP") rights. Such statements are based on current expectations, estimates, forecasts and projections of our industry performance and macroeconomic conditions, based on management's judgement, beliefs, current trends and market conditions, and involve risks and uncertainties that may cause actual results to differ materially from those contained in the forward-looking statements. We derive most of our forward-looking statements from our operating budgets and forecasts, which are based upon many detailed assumptions. While we believe that our assumptions are reasonable, we caution that it is very difficult to predict the impact of known factors, and it is impossible for us to anticipate all factors that could affect our actual results. Accordingly, we caution you not to place undue reliance on these statements. Important factors that could cause actual results to differ materially from our expectations are disclosed under "Risk Factors" in Part II, Item 1A of this Form 10-Q, and in other documents we file from time to time with the Securities and Exchange Commission (the "SEC"). All of the forward-looking statements in this Form 10-Q are qualified in their entirety by reference to the factors listed above and those discussed under the heading "Risk Factors" below. We undertake no intent or obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise, except as otherwise required by law.

Overview

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

During the first quarter of our fiscal year ending November 1, 2020 ("fiscal year 2020"), we changed our organizational structure, resulting in two reportable segments: semiconductor solutions and infrastructure software. Our semiconductor solutions segment includes all of our product lines, except for those related to our fibre channel storage area networking ("FC SAN") products, as well as our IP licensing. Our infrastructure software segment includes our FC SAN products; mainframe and enterprise software solutions; and enterprise security solutions. Prior period segment results have been recast to conform to the current presentation.

Quarterly Highlights

Highlights during the third fiscal quarter ended August 2, 2020 include the following:

- We generated \$3,178 million of cash from operations.
- We paid \$1,386 million in cash dividends.
- We refinanced certain debt, reducing our total debt by \$1.9 billion.

COVID-19 Update

In response to the ongoing COVID-19 pandemic and the various resulting government directives, we have taken extensive measures to protect the health and safety of our employees and contractors at our facilities. We modified our workplace practices globally, which resulted in most of our employees working remotely for an extended period of time, earlier this year. While we are currently implementing a phased-in return of employees to many of our facilities, if the spread

of COVID-19 worsens significantly, we may need to further limit onsite operations or otherwise modify our business practices. We continue to monitor the implications of the COVID-19 pandemic on our business, as well as our customers' and suppliers' businesses.

The demand environment for our semiconductor products was consistent with our expectations for our third quarter of fiscal year 2020, with continued demand for products and infrastructure to support a dramatic increase around the world in remote or tele-work and learning due to COVID-19. While we continue to see robust demand in this area, the macroeconomic environment remains uncertain and it may not be sustainable over the longer term. To date, the impact of COVID-19 on the demand environment for our software products has been limited. On the product supply side, we continue to experience various constraints in our supply chain due to the pandemic, including with respect to wafers and substrates. As a result, supply lead times are still extended and we continue to have difficulties in obtaining some necessary components and inputs in a timely manner. However, the disruptions in our outsourced assembly and test capacity that we experienced previously, as a result of COVID-19 related shutdowns, have now largely resolved.

We have also taken various actions to de-risk our business in light of the ongoing uncertainty. For example, we are largely building semiconductor products to order, instead of based on customer forecasts, and continue to reduce semiconductor inventory in our distribution channels. In addition, during the third fiscal quarter, we continued to strengthen our balance sheet, including closely managing working capital and refinancing and extending the maturities of many of our debt instruments.

Overall, in light of the changing nature and continuing uncertainty around the COVID-19 pandemic, our ability to predict the impact of COVID-19 on our business in future periods remains limited. The effects of the pandemic on our business are unlikely to be fully realized, or reflected in our financial results, until future periods.

Acquisitions

Acquisition of Symantec Corporation's Enterprise Security Business

During the fiscal quarter ended February 2, 2020, we completed the purchase of certain assets and assumption of certain liabilities of the Symantec Corporation (now known as NortonLifeLock Inc.) Enterprise Security business (the "Symantec Business") for \$10.7 billion (the "Symantec Asset Purchase"). We acquired the Symantec Business to expand our footprint of mission critical infrastructure software with our existing customer base. The Symantec Business includes a deep and broad mix of products, services and solutions, unifying cloud and on-premises security to provide advanced threat protection and information protection across endpoints, network, email and cloud applications.

Other Acquisitions

During the fiscal quarter ended February 2, 2020, we completed three other acquisitions for total consideration of \$201 million. One acquisition was included in our semiconductor solutions segment. Two acquisitions were included in our infrastructure software segment.

Critical Accounting Estimates

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

There were no significant changes in our critical accounting policies during the three fiscal quarters ended August 2, 2020 compared to those previously disclosed in "Critical Accounting Estimates" in "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in the 2019 Annual Report on Form 10-K.

Results of Operations

Fiscal Quarter and Three Fiscal Quarters Ended August 2, 2020 Compared to Fiscal Quarter and Three Fiscal Quarters Ended August 4, 2019

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

	Fiscal Quarter Ended			
	August 2, 2020	August 4, 2019	August 2, 2020	August 4, 2019
	(In millions)		(As a percentage of total net revenue)	
Statements of Operations Data:				
Net revenue:				
Products	\$ 4,125	\$ 4,413	71 %	80 %
Subscriptions and services	1,696	1,102	29	20
Total net revenue	5,821	5,515	100	100
Cost of revenue:				
Cost of products sold	1,383	1,519	24	28
Cost of subscriptions and services	154	132	3	2
Amortization of acquisition-related intangible assets	953	828	16	15
Restructuring charges	15	2	—	—
Total cost of revenue	2,505	2,481	43	45
Gross margin	3,316	3,034	57	55
Research and development	1,228	1,235	21	22
Selling, general and administrative	428	410	8	7
Amortization of acquisition-related intangible assets	600	475	10	9
Restructuring, impairment and disposal charges	52	49	1	1
Total operating expenses	2,308	2,169	40	39
Operating income	\$ 1,008	\$ 865	17 %	16 %

	Three Fiscal Quarters Ended			
	August 2, 2020	August 4, 2019	August 2, 2020	August 4, 2019
	(In millions)		(As a percentage of total net revenue)	
Statements of Operations Data:				
Net revenue:				
Products	\$ 12,582	\$ 13,470	72 %	80 %
Subscriptions and services	4,839	3,351	28	20
Total net revenue	17,421	16,821	100	100
Cost of revenue:				
Cost of products sold	4,290	4,530	25	27
Cost of subscriptions and services	475	405	3	2
Amortization of acquisition-related intangible assets	2,857	2,487	16	15
Restructuring charges	30	68	—	1
Total cost of revenue	7,652	7,490	44	45
Gross margin	9,769	9,331	56	55
Research and development	3,786	3,519	22	21
Selling, general and administrative	1,530	1,300	9	8
Amortization of acquisition-related intangible assets	1,802	1,424	10	8
Restructuring, impairment and disposal charges	163	698	1	4
Total operating expenses	7,281	6,941	42	41
Operating income	\$ 2,488	\$ 2,390	14 %	14 %

Net Revenue

Historically, a relatively small number of customers have accounted for a significant portion of our net revenue. No customer accounted for 10% or more of our net revenue for the fiscal quarter ended August 2, 2020. Direct sales to WT Microelectronics, a distributor, accounted for 12% of our net revenue for the three fiscal quarters ended August 2, 2020, and 16% and 15% of our net revenue for the fiscal quarter and three fiscal quarters ended August 4, 2019, respectively.

We believe aggregate sales to our top five end customers, through all channels, accounted for approximately 25% and 30% of our net revenue for the fiscal quarter and three fiscal quarters ended August 2, 2020, respectively, and approximately 35% of our net revenue for each of the fiscal quarter and three fiscal quarters ended August 4, 2019. We believe aggregate sales to Apple Inc., through all channels, accounted for approximately 10% and 15% of our net revenue for the fiscal quarter and three fiscal quarters ended August 2, 2020, respectively, and approximately 20% of our net revenue for each of the fiscal quarter and three fiscal quarters ended August 4, 2019. We expect to continue to experience significant customer concentration in future periods. The loss of, or significant decrease in demand from, any of our top five end customers could have a material adverse effect on our business, results of operations and financial condition.

From time to time, some of our key semiconductor customers place large orders or delay orders, causing our quarterly net revenue to fluctuate significantly. This is particularly true of our wireless products as fluctuations may be magnified by the timing of launches, and seasonal variations in sales, of mobile handsets. In addition, the ongoing COVID-19 pandemic and related challenges and uncertainties may also cause our net revenue to fluctuate significantly and adversely affect our results of operations, as discussed above.

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

Net Revenue by Segment	Fiscal Quarter Ended				Three Fiscal Quarters Ended			
	August 2, 2020	August 4, 2019	\$ Change	% Change	August 2, 2020	August 4, 2019	\$ Change	% Change
(In millions, except for percentages)								
Semiconductor solutions	\$ 4,219	\$ 4,375	\$ (156)	(4) %	\$ 12,437	\$ 12,865	\$ (428)	(3) %
Infrastructure software	1,602	1,140	462	41 %	4,984	3,956	1,028	26 %
Total net revenue	\$ 5,821	\$ 5,515	\$ 306	6 %	\$ 17,421	\$ 16,821	\$ 600	4 %

% of Net Revenue by Segment	Fiscal Quarter Ended		Three Fiscal Quarters Ended	
	August 2, 2020	August 4, 2019	August 2, 2020	August 4, 2019
Semiconductor solutions	72 %	79 %	71 %	76 %
Infrastructure software	28	21	29	24
Total net revenue	100 %	100 %	100 %	100 %

Fiscal quarter ended August 2, 2020 compared to corresponding prior year period. Net revenue from our semiconductor solutions segment decreased primarily due to delays in the production ramp of a new mobile handset by a major customer, which resulted in lower shipments in the fiscal quarter ended August 2, 2020. This decrease was partially offset by higher demand for our networking products. Net revenue from our infrastructure software segment increased primarily due to contributions from our Symantec enterprise security solutions and higher demand for our mainframe and enterprise software solutions.

Three fiscal quarters ended August 2, 2020 compared to corresponding prior year period. Net revenue from our semiconductor solutions segment decreased primarily due to delays in the production ramp of a new mobile handset by a major customer, which resulted in lower shipments, as well as lower demand for our broadband products. These decreases were partially offset by higher demand for our storage products. Net revenue from our infrastructure software segment increased primarily due to contributions from our Symantec enterprise security solutions, as well as an increase in demand for our mainframe and enterprise software solutions, partially offset by lower demand for our FC SAN products.

Gross Margin

Gross margin was \$3,316 million for the fiscal quarter ended August 2, 2020 compared to \$3,034 million for the fiscal quarter ended August 4, 2019 and was \$9,769 million for the three fiscal quarters ended August 2, 2020 compared to \$9,331 million for the three fiscal quarters ended August 4, 2019. As a percentage of net revenue, gross margin was 57% and 55% of net revenue for the fiscal quarters ended August 2, 2020 and August 4, 2019, respectively, and 56% and 55% of net revenue for the three fiscal quarters ended August 2, 2020 and August 4, 2019, respectively.

The increases in gross margin were primarily due to contributions from our Symantec enterprise security solutions, as well as favorable product mix in our semiconductor solutions products, compared to the corresponding prior fiscal year periods.

Research and Development Expense

Research and development expense decreased \$7 million, or 1%, and increased \$267 million, or 8% for the fiscal quarter and three fiscal quarters ended August 2, 2020, respectively, compared to the prior year fiscal periods. The decrease for the fiscal quarter ended August 2, 2020 was due primarily to lower stock-based compensation expense, partially offset by an increase due to the Symantec Asset Purchase. The increase for the three fiscal quarters ended August 2, 2020 was primarily due to the Symantec Asset Purchase, partially offset by lower stock-based compensation expense. The decreases in stock-based compensation expense were primarily due to the full vesting of certain equity awards, as well as a one-time impact of the change from annual to quarterly vesting of certain equity awards included in the prior year fiscal periods. Additionally, the decrease for the three fiscal quarters ended August 2, 2020 was partially offset by the recognition of three full quarters of expense for the multi-year equity grants of restricted stock units issued during the first quarter of fiscal year 2019.

Selling, General and Administrative Expense

Selling, general and administrative expense increased \$18 million, or 4%, and \$230 million, or 18%, for the fiscal quarter and three fiscal quarters ended August 2, 2020, respectively, compared to the prior year fiscal periods. The increases were primarily due to the Symantec Asset Purchase and associated acquisition-related costs and litigation settlements, partially

offset by decreases in stock-based compensation expense and benefits from restructuring actions that we initiated following the acquisition of CA, Inc. ("CA Merger"). The decreases in stock-based compensation expense were primarily due to the full vesting of certain equity awards, including equity awards assumed from the CA Merger. The decrease in stock-based compensation expense for the fiscal quarter ended August 2, 2020 was also due to a one-time impact of the change from annual to quarterly vesting of certain equity awards included in the prior year fiscal period.

Amortization of Acquisition-Related Intangible Assets

Amortization of acquisition-related intangible assets recognized in operating expenses increased \$125 million and \$378 million for the fiscal quarter and three fiscal quarters ended August 2, 2020, respectively, compared to the prior year fiscal periods. The increases were primarily due to intangible assets acquired in the Symantec Asset Purchase.

Restructuring, Impairment and Disposal Charges

Restructuring, impairment and disposal charges recognized in operating expenses increased \$3 million and decreased \$535 million for the fiscal quarter and three fiscal quarters ended August 2, 2020, respectively, compared to the prior year fiscal periods. The increase for the fiscal quarter ended August 2, 2020 was primarily due to employee termination costs resulting from the Symantec Asset Purchase. The decrease for the three fiscal quarters ended August 2, 2020 was primarily due to higher employee termination costs, as well as lease and other exit costs, resulting from the CA Merger in the prior year fiscal period.

Segment Operating Results

Operating Income by Segment	Fiscal Quarter Ended				Three Fiscal Quarters Ended			
	August 2, 2020	August 4, 2019	\$ Change	% Change	August 2, 2020	August 4, 2019	\$ Change	% Change
(In millions, except for percentages)								
Semiconductor solutions	\$ 2,045	\$ 2,081	\$ (36)	(2) %	\$ 5,864	\$ 6,012	\$ (148)	(2) %
Infrastructure software	1,136	829	307	37 %	3,432	2,899	533	18 %
Unallocated expenses	(2,173)	(2,045)	(128)	6 %	(6,808)	(6,521)	(287)	4 %
Total operating income	\$ 1,008	\$ 865	\$ 143	17 %	\$ 2,488	\$ 2,390	\$ 98	4 %

Fiscal quarter ended August 2, 2020 compared to corresponding prior year period. Operating income from our semiconductor solutions segment decreased primarily due to delays in the production ramp of a new mobile handset by a major customer, which resulted in lower shipments. This decrease was partially offset by higher demand for our networking products. Operating income from our infrastructure software segment increased primarily due to contributions from our Symantec enterprise security solutions.

Three fiscal quarters ended August 2, 2020 compared to corresponding prior year period. Operating income from our semiconductor solutions segment decreased primarily due to less favorable product mix for certain networking products, delays in the production ramp of a new mobile handset by a major customer, which resulted in lower shipments, and a decrease in demand for our broadband products. These decreases were partially offset by higher demand for our storage products. Operating income from our infrastructure software segment increased primarily due to contributions from our Symantec enterprise security solutions, partially offset by lower demand for our FC SAN products.

Unallocated expenses include amortization of acquisition-related intangible assets; stock-based compensation expense; acquisition-related costs; restructuring, impairment and disposal charges; and other costs that are not used in evaluating the results of, or in allocating resources to, our segments. Unallocated expenses increased 6% and 4% for the fiscal quarter and three fiscal quarters ended August 2, 2020, respectively, compared to the prior year fiscal periods. The increases were primarily due to higher amortization of acquisition-related intangible assets and acquisition-related costs, partially offset by lower stock-based compensation expense. Additionally, for the three fiscal quarters ended August 2, 2020, the increase in unallocated expenses was partially offset by lower restructuring, impairment and disposal charges.

Non-Operating Income and Expenses

Interest expense. Interest expense was \$464 million and \$1,357 million for the fiscal quarter and three fiscal quarters ended August 2, 2020, respectively, and \$362 million and \$1,083 million for the fiscal quarter and three fiscal quarters ended August 4, 2019, respectively. The increases were primarily due to interest on the debt we incurred to finance the Symantec Asset Purchase, as well as losses on extinguishment of debt related to the repayment of certain term loans in the fiscal quarter ended August 2, 2020. Additionally, for the three fiscal quarters ended August 2, 2020, we incurred losses on extinguishment of debt related to the repurchase of certain senior notes.

Other income, net. Other income, net includes interest income, gains or losses on investments, foreign currency remeasurement and other miscellaneous items. Other income, net was \$49 million and \$175 million for the fiscal quarter and three fiscal quarters ended August 2, 2020, respectively, as compared to \$41 million and \$172 million for the fiscal quarter and three fiscal quarters ended August 4, 2019, respectively. The increases were primarily due to a \$23 million gain on sale of business, partially offset by decreases in interest income. Other income, net for the three fiscal quarters ended August 2, 2020 also included a \$116 million one-time gain from the lapse of a tax indemnification arrangement, partially offset by a decrease in gains on investments and foreign currency remeasurement.

Benefit from income taxes. The benefit from income taxes was \$96 million and \$331 million for the fiscal quarter and three fiscal quarters ended August 2, 2020, respectively, and \$171 million and \$410 million for the fiscal quarter and three fiscal quarters ended August 4, 2019, respectively. The benefit from income taxes for the fiscal quarter and three fiscal quarters ended August 2, 2020 was primarily due to the jurisdictional mix of income and expense, the remeasurement of certain foreign deferred tax assets and liabilities, and excess tax benefits from stock-based awards that vested or were exercised during the periods.

The benefit from income taxes for the fiscal quarter and three fiscal quarters ended August 4, 2019 was primarily due to the remeasurement of certain foreign deferred tax assets and liabilities, internal reorganizations and excess tax benefits from stock-based awards that vested or were exercised during the period. Additionally, the benefit from income taxes for the three fiscal quarters ended August 4, 2019 included the recognition of gross uncertain tax benefits as a result of audit settlements and lapses of statutes of limitations, and the partial release of our valuation allowance as a result of the CA Merger, partially offset by a change in estimate of our fiscal year 2018 provision resulting from regulations issued related to the U.S. Tax Cuts and Jobs Act (the “2017 Tax Reform Act”).

Liquidity and Capital Resources

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

Our primary sources of liquidity as of August 2, 2020 consisted of: (i) \$8,857 million in cash and cash equivalents, (ii) cash we expect to generate from operations and (iii) available capacity under our \$5 billion unsecured revolving credit facility (the “Revolving Facility”). In addition, we may also generate cash from the sale of assets and debt or equity financing from time to time.

Our short-term and long-term liquidity requirements primarily arise from: (i) business acquisitions and investments we may make from time to time, (ii) working capital requirements, (iii) research and development and capital expenditure needs, (iv) cash dividend payments (if and when declared by our Board of Directors), (v) interest and principal payments related to our \$44,498 million of outstanding indebtedness and (vi) payment of income taxes. Our ability to fund these requirements will depend, in part, on our future cash flows, which are determined by our future operating performance and, therefore, subject to prevailing global macroeconomic conditions and financial, business and other factors, some of which are beyond our control.

We expect our capital expenditures for fiscal year 2020 will be higher than fiscal year 2019 due to the Symantec Asset Purchase on November 4, 2019.

We believe that our cash and cash equivalents on hand, cash flows from operations, and the Revolving Facility will provide sufficient liquidity to operate our business and fund our current and assumed obligations for at least the next 12 months.

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

Working Capital

Working capital increased to \$6,979 million at August 2, 2020 from \$3,018 million at November 3, 2019. The increase was primarily attributable to the following:

- Cash and cash equivalents increased to \$8,857 million at August 2, 2020 from \$5,055 million at November 3, 2019, primarily due to \$27,802 million in proceeds from long-term borrowings and \$8,713 million in net cash provided by operating activities. These increases were partially offset by \$17,099 million of debt repayments, \$10,700 million paid for the Symantec Asset Purchase and \$4,139 million of dividend payments.
- Inventory increased to \$1,081 million at August 2, 2020 from \$874 million at November 3, 2019, primarily due to timing of customer product ramps.
- Other current assets increased to \$1,059 million at August 2, 2020 from \$729 million at November 3, 2019, primarily due to increases in prepaid taxes and short-term investments.
- Current portion of long-term debt decreased to \$822 million at August 2, 2020 from \$2,787 million at November 3, 2019 primarily due to repayment of certain debt, partially offset by additional amounts coming due within twelve months.

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

- Accounts receivable decreased to \$2,684 million at August 4, 2019 from \$3,259 million at November 3, 2019, primarily due to revenue linearity and \$552 million of additional receivables sold through factoring arrangements.
- Accounts payable increased to \$1,092 million at August 2, 2020 from \$855 million at November 3, 2019, primarily due to timing of vendor payments.
- Other current liabilities increased to \$4,056 million at August 2, 2020 from \$2,616 million at November 3, 2019, primarily due to increases in contract liabilities, interest payable, lease liabilities resulting from the adoption of Accounting Standard Codification Topic 842, and taxes payable, partially offset by repayments of notional pooling liabilities.

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

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

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

- Cash and cash equivalents increased to \$5,462 million at August 4, 2019 from \$4,292 million at November 4, 2018, primarily due to \$30,138 million in proceeds from borrowings, \$7,218 million in net cash provided by operating activities and \$957 million in proceeds from the sale of Veracode, Inc., a wholly-owned subsidiary acquired in the CA Merger, partially offset by \$16,027 million paid for the CA Merger, \$12 billion of debt repayments, \$5,002 million of common stock repurchases and \$3,181 million of dividend payments.
- Other current assets increased to \$806 million at August 4, 2019 from \$366 million at November 4, 2018, primarily due to assets acquired in the CA Merger and increases in contract assets from adoption of Topic 606 and prepaid taxes.
- Accounts receivable increased to \$3,539 million at August 4, 2019 from \$3,325 million at November 4, 2018, primarily due to revenue linearity and an increase due to the CA Merger, partially offset by \$375 million of receivables sold through factoring arrangements.
- Employee compensation and benefits decreased to \$575 million at August 4, 2019 from \$715 million at November 4, 2018, primarily due to timing of employee bonus plan payments, partially offset by increases attributable to the CA Merger.

Capital Returns

	Three Fiscal Quarters Ended	
	August 2, 2020	August 4, 2019
	(In millions, except per share data)	
Dividends per share to common stockholders	\$ 9.75	\$ 7.95
Dividends to common stockholders	\$ 3,915	\$ 3,181
Dividends per share to preferred stockholders	\$ 60.00	\$ —
Dividends to preferred stockholders	\$ 224	\$ —
Stock repurchases	\$ —	\$ 5,002

In addition, during the three fiscal quarters ended August 2, 2020 and August 4, 2019, we paid approximately \$580 million and \$818 million, respectively, in employee withholding taxes due upon the vesting of net settled equity awards. We withheld approximately 2 million and 3 million shares of common stock from employees in connection with such net share settlements during the three fiscal quarters ended August 2, 2020 and August 4, 2019, respectively.

Cash Flows

	Three Fiscal Quarters Ended	
	August 2, 2020	August 4, 2019
	(In millions)	
Net cash provided by operating activities	\$ 8,713	\$ 7,218
Net cash used in investing activities	(11,009)	(15,334)
Net cash provided by financing activities	6,098	9,286
Net change in cash and cash equivalents	\$ 3,802	\$ 1,170

Operating Activities

Cash provided by operating activities consisted of net income adjusted for certain non-cash and other items and changes in assets and liabilities. The \$1,495 million increase in cash provided by operations during the three fiscal quarters ended August 2, 2020 compared to the prior year fiscal period was due to cash flows from net income adjusted for non-cash items and an increase in the net change in operating assets and liabilities as discussed in large part under Working Capital above.

Investing Activities

Cash flows from investing activities primarily consisted of cash used for acquisitions and capital expenditures and proceeds from sales of businesses. The \$4,325 million decrease in cash used in investing activities during the three fiscal quarters ended August 2, 2020 compared to the prior year fiscal period was primarily related to a \$5,161 million decrease in cash paid for acquisitions in the fiscal year 2020 period, offset in part by \$739 million less in proceeds received from sales of businesses in the fiscal year 2020 period.

Financing Activities

Cash flows from financing activities primarily consisted of net proceeds and payments related to our long-term borrowings, dividend payments and stock repurchases. The \$3,188 million decrease in cash provided by financing activities during the three fiscal quarters ended August 2, 2020 compared to the prior year fiscal period was primarily due to a \$7,435 million decrease in net proceeds from borrowings as a result of debt repayments and a \$958 million increase in dividend payments, partially offset by the absence of repurchases of common stock under our repurchase program, which ended in fiscal year 2019, as compared to \$5,002 million of repurchases in the fiscal year 2019 period.

Indebtedness

See Note 8. "Borrowings" in Part I, Item 1 of this Form 10-Q for additional information related to our indebtedness.

Summarized Obligor Group Financial Information

Pursuant to the indentures dated May 21, 2020, May 8, 2020, April 9, 2020, and April 5, 2019 (collectively, the "2020 and 2019 Indentures"), Broadcom issued \$3,917 million, \$8,000 million, \$4,500 million, and \$11,000 million aggregate principal amount of notes, respectively (collectively, the "2020 and 2019 Senior Notes"). Substantially all of the 2020 and 2019 Senior Notes have been registered with the SEC in connection with an exchange offer that closed on August 10, 2020.

We may redeem all or a portion of our 2020 and 2019 Senior Notes at any time prior to their maturity, subject to a specified make-whole premium as set forth in the indentures governing the respective notes. In the event of a change of control triggering event, holders of our 2020 and 2019 Senior Notes will have the right to require us to purchase for cash, all or a portion of their respective notes at a redemption price of 101% of the aggregate principal amount plus accrued and unpaid interest. The 2020 and 2019 Indentures also contain covenants that restrict, among other things, the ability of Broadcom and its subsidiaries to incur certain secured debt and to consummate certain sale and leaseback transactions and restrict the ability of the Obligor Group, as defined below, to merge, consolidate or sell all or substantially all of their assets.

Broadcom Corporation (“BRCM”) and Broadcom Technologies Inc. (“BTI”), 100%-owned subsidiaries of Broadcom (Broadcom, BRCM and BTI collectively, the “Obligor Group”), fully and unconditionally guarantee, jointly and severally, on an unsecured, unsubordinated basis, the 2020 and 2019 Senior Notes. The guarantee by BRCM and BTI will be automatically and unconditionally released upon the sale, exchange, disposition or other transfer of all or substantially all of the assets of such guarantor if any of these events occurs in compliance with the respective indentures. The guarantee by BRCM and BTI will also be automatically and unconditionally released if at any time the aggregate principal amount of indebtedness issued, borrowed or guaranteed by BRCM and BTI constitutes no more than 20% of the aggregate principal amount of indebtedness for borrowed money of Broadcom and its subsidiaries on a consolidated basis.

Pursuant to indentures dated January 19, 2017 and October 17, 2017 (collectively, the “2017 Indentures”), BRCM and Broadcom Cayman Finance Limited (“Cayman Finance,” a 100%-owned subsidiary of Broadcom, together with BRCM, the “2017 Senior Notes Co-Issuers”) issued \$13,550 million and \$4,000 million aggregate principal amount of notes, respectively (collectively, the “2017 Senior Notes”). Substantially all of the 2017 Senior Notes have been registered with the SEC.

We may redeem all or a portion of our 2017 Senior Notes at any time prior to their maturity, subject to a specified make-whole premium as set forth in the 2017 Indentures. In the event of a change of control triggering event, holders of our 2017 Senior Notes will have the right to require us to purchase for cash, all or a portion of their 2017 Senior Notes at a redemption price of 101% of the aggregate principal amount plus accrued and unpaid interest. The 2017 Indentures also contain covenants that restrict, among other things, the ability of Broadcom and its subsidiaries to incur certain secured debt and to consummate certain sale and leaseback transactions and restrict the ability of Broadcom and the 2017 Senior Notes Co-Issuers to merge, consolidate or sell all or substantially all of their assets.

Broadcom and BTI fully and unconditionally guarantee, jointly and severally, on an unsecured, unsubordinated basis, the 2017 Senior Notes. Because the guarantees are not secured, they are effectively subordinated to any existing and future secured indebtedness of the guarantors to the extent of the value of the collateral securing that indebtedness. The guarantee by Broadcom and BTI will be automatically and unconditionally released upon the sale, exchange, disposition or other transfer of all or substantially all of the assets of such guarantor if any of these events occurs in compliance with the 2017 Indentures. The guarantee by Broadcom (1) will also be automatically and unconditionally released at such time as: (A) the 2017 Senior Notes Co-Issuers, in their sole discretion, determine that such guarantee is no longer required by Rule 3-10(a), as applicable, of Regulation S-X to except the 2017 Senior Notes Co-Issuers’ financial statements from being required to be filed pursuant to Rule 3-10(a) of Regulation S-X or otherwise facilitate a reduction in its financial reporting obligations or (B) either of the 2017 Senior Notes Co-Issuers becomes subject to Section 13 or 15(d) of the Exchange Act and (2) may, at the election of the 2017 Senior Notes Co-Issuers, be unconditionally released at such time as Broadcom is eligible to suspend its reporting obligation under the Exchange Act.

During fiscal year 2019, Cayman Finance was merged into BTI, with BTI remaining as the surviving entity. In connection with this merger, BTI remains a guarantor and became a co-issuer of the 2017 Senior Notes.

The following tables set forth the summarized financial information of the Obligor Group on a combined basis for the periods presented. This summarized financial information excludes any subsidiaries that are not issuers or guarantors (the “Non-Obligor Group”). Intercompany balances and transactions between members of the Obligor Group have been eliminated.

Summarized Balance Sheets	August 2, 2020	November 3, 2019
	(In millions)	
ASSETS		
Current assets:		
Amount due from Non-Obligor Group	\$ 2,123	\$ 1,617
Other current assets	5,287	1,082
Total current assets	<u>\$ 7,410</u>	<u>\$ 2,699</u>
Long-term assets:		
Amount due from Non-Obligor Group, long-term	\$ 8,220	\$ —
Goodwill	1,360	1,360
Other long-term assets	1,251	955
Total long-term assets	<u>\$ 10,831</u>	<u>\$ 2,315</u>
LIABILITIES		
Current liabilities:		
Amount due to Non-Obligor Group	\$ 6,106	\$ 9,223
Current portion of long-term debt	807	2,750
Other current liabilities	313	452
Total current liabilities	<u>\$ 7,226</u>	<u>\$ 12,425</u>
Long-term liabilities:		
Amount due to Non-Obligor Group, long-term	\$ 932	\$ 932
Long-term debt	42,274	28,171
Other long-term liabilities	2,511	2,108
Total long-term liabilities	<u>\$ 45,717</u>	<u>\$ 31,211</u>

Summarized Statement of Operations	Three Fiscal Quarters Ended August 2, 2020
	(In millions)
Intercompany revenue with Non-Obligor Group	\$ 1,268
Gross margin	\$ 1,154
Loss from continuing operations ^(a)	\$ (1,349)
Net loss	\$ (1,349)

(a) Included \$486 million of net income from the Non-Obligor Group related to intercompany transactions.

Contractual Commitments

See Note 12. "Commitments and Contingencies" in Part I, Item 1 of this Form 10-Q.

Off-Balance Sheet Arrangements

We had no material off-balance sheet arrangements at August 2, 2020 as defined in Item 303(a)(4)(ii) of Regulation S-K under the Exchange Act.

Indemnifications

See Note 12. "Commitments and Contingencies" in Part I, Item 1 of this Form 10-Q.

Accounting Changes and Recent Accounting Standards

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

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no material changes in market risk from the information presented in Part II, Item 7A. "Quantitative and Qualitative Disclosures About Market Risk," in the 2019 Annual Report on Form 10-K other than those noted below.

Interest Rate Risk

As of August 2, 2020, we had \$8.9 billion of outstanding term loans, which are subject to floating interest rates. A 1% change in the interest rate would affect interest expense on our term loans by approximately \$90 million over the next 12 months.

Item 4. Controls and Procedures

(a) *Evaluation of Disclosure Controls and Procedures.* Our management, with the participation of our Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), evaluated the effectiveness of our disclosure controls and procedures as of August 2, 2020. We maintain disclosure controls and procedures that are intended to ensure that the information required to be disclosed in our Exchange Act filings is properly and timely recorded, processed, summarized and reported. These disclosure controls and procedures are also intended to ensure that information is accumulated and communicated to management, including our CEO and CFO, as appropriate, to allow timely decisions regarding required disclosures. Based on this evaluation, our CEO and CFO concluded that, as of August 2, 2020, our disclosure controls and procedures were effective at the reasonable assurance level.

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

(b) *Changes in Internal Control over Financial Reporting.* There was no change in our internal control over financial reporting identified in connection with the evaluation required by Rules 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the period covered by this report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting. Although we have modified our workplace practices globally due to the COVID-19 pandemic, resulting in most of our employees working remotely, this has not materially affected our internal controls over financial reporting. We are continually monitoring and assessing the COVID-19 situation on our internal controls to minimize the impact on their design and operating effectiveness.

PART II — OTHER INFORMATION

Item 1. Legal Proceedings

The information set forth under Note 12. "Commitments and Contingencies" included in Part I, Item 1 of this Form 10-Q, is incorporated herein by reference. For an additional discussion of certain risks associated with legal proceedings, see "Risk Factors" immediately below.

Item 1A. Risk Factors

Our business, operations and financial results are subject to various risks and uncertainties, including those described below, that could adversely affect our business, financial condition, results of operations, cash flows, and the trading price of our common stock. Many of the following risks and uncertainties are, and will be, exacerbated by the COVID-19 pandemic and any worsening of the global business and economic environment as a result. The following important factors, among others, could cause our actual results to differ materially from historical results and those expressed in forward-looking statements made by us or on our behalf in filings with the SEC, press releases, communications with investors and oral statements.

Risks Related to Our Business

The ongoing COVID-19 pandemic has, and will likely continue to, negatively impact the global economy and disrupt normal business activity, which may have an adverse effect on our results of operations.

The global spread of COVID-19 and the efforts to control it have slowed global economic activity and disrupted, and reduced the efficiency of, normal business activities in much of the world. The pandemic has resulted in authorities around the world implementing numerous unprecedented measures such as travel restrictions, quarantines, shelter in place orders, and factory and office shutdowns. These measures have impacted and will likely continue to impact our workforce and operations, and those of our customers, contract manufacturers ("CMs"), suppliers and logistics providers.

In particular, we are, and expect to continue, experiencing some disruption to parts of our global semiconductor supply chain, with suppliers increasing lead times or placing products on allocation. As a result, our ability to procure necessary components and inputs in a timely fashion, such as wafers and substrates, has been negatively affected in some cases. In

addition, our primary warehouse and a number of our key suppliers, particularly assembly and test service providers, are in Malaysia. While our Malaysia warehouse has remained fully operational throughout the pandemic, pursuant to a critical industry exemption, many of the facilities of our key suppliers and other service providers in Malaysia and elsewhere were shut down or operated at reduced capacity for extended periods. This resulted in significant logistical challenges and product delays, which could recur in the event of any future closures of, or periods of reduced operations at, our warehouse or the facilities of our suppliers and providers. Any similar disruption at our Fort Collins, Colorado manufacturing facility would severely impact our ability to manufacture our film bulk acoustic resonator ("FBAR") products and adversely affect our wireless business. In addition, reductions in commercial airline and cargo flights, increased border controls and closures, disruptions to ports and other shipping infrastructure resulting from the pandemic have increased transport times to deliver materials and components to our facilities and to transfer our products to our key suppliers, and may also affect our ability to timely ship our products to customers. As a result of these supply chain disruptions, we have increased customer order lead times and also have had to place some products on allocation. We are also largely building semiconductor products to order, instead of based on customer forecasts, in light of the ongoing uncertainty. This may limit our ability to fulfill orders with short lead times and means that we may be unable to satisfy all of the demand for our products, which may adversely affect our relationships with our customers.

In response to governmental directives and recommended safety measures, we modified our workplace practices globally, which has resulted in many of our employees working remotely for extended periods of time, earlier this year. While we are currently implementing a phased-in return of employees to many of our facilities, if the spread of COVID-19 worsens significantly, we may need to further limit onsite operations or otherwise modify our business practices in a manner that may adversely impact our business. Working remotely for extended periods may reduce our employees' efficiency and productivity, which may cause product development delays, hamper new product innovation and have other unforeseen adverse effects on our business. In addition, if a significant number of our employees, or employees and third parties performing key functions, including our CEO and members of our board of directors, become ill, our business may be further adversely impacted. While we have implemented personal safety measures at all of our facilities where our employees are working onsite, any actions we take with respect to our workforce may not be sufficient to mitigate the risk of infection by COVID-19 and could result in a significant number of COVID-19-related claims. Changes to state workers' compensation laws, as recently occurred in California, may increase our potential liability for such claims.

In the longer-term, the COVID-19 pandemic is likely to adversely affect the economies and financial markets of many countries, and could result in a global economic downturn and a recession. This would likely adversely affect demand for our products and those of our customers, particularly consumer products such as smartphones, which may, in turn negatively impact our results of operations. However, there is a significant degree of uncertainty and lack of visibility as to the extent and duration of any such downturn or recession. While we continue to see robust demand in our semiconductor segment, and have seen little impact to our software business from the COVID-19 pandemic, the environment remains uncertain and it may not be sustainable over the longer term. The degree to which the pandemic ultimately impacts our business and results of operations will depend on future developments beyond our control, including the severity of the pandemic, the extent of actions to contain or treat the virus, how quickly and to what extent normal economic and operating conditions can resume, and the severity and duration of the global economic downturn that results from the pandemic.

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

We are dependent on a small number of end customers, original equipment manufacturers ("OEMs"), their respective CMs, and certain distributors for a majority of our business, revenue and results of operations. For the three fiscal quarters ended August 2, 2020, sales to distributors accounted for 42% of our net revenue. Direct sales to WT Microelectronics accounted for 12% of our net revenue for the three fiscal quarters ended August 2, 2020. We believe aggregate sales to our top five end customers, through all channels, accounted for approximately 30% for the three fiscal quarters ended August 2, 2020. We believe aggregate sales to Apple Inc., through all channels, accounted for approximately 15% of our net revenue for the three fiscal quarters ended August 2, 2020. This customer concentration increases the risk of quarterly fluctuations in our operating results and our sensitivity to any material, adverse developments experienced by our significant customers.

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

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

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

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

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

We depend on our CMs to allocate sufficient manufacturing capacity to meet our needs, to produce products of acceptable quality at acceptable yields, and to deliver those products to us on a timely basis. Although we often have long-term contracts with our CMs, we do not generally have long-term capacity commitments. We obtain substantially all of our manufacturing services on a purchase order basis and our CMs have no obligation to provide us with any specified minimum quantities of product. Further, from time to time, our CMs will cease to, or will become unable to, manufacture a component for us. As the lead time needed to identify, qualify and establish reliable production at acceptable yields, with a new CM is typically lengthy, there is often no readily available alternative source for the wafers or other contract manufacturing services we require, and there may be other constraints on our ability to change CMs. In addition, qualifying such CMs is often expensive, and they may not produce products as cost-effectively as our current suppliers, which would reduce our margins. In any such circumstances, we may be unable to meet our customer demand and may fail to meet our contractual obligations. This could result in the payment of significant damages by us to our customers, and our net revenue could decline, adversely affecting our business, financial condition and results of operations.

We utilize Taiwan Semiconductor Manufacturing Company Limited ("TSMC") to produce the substantial majority of our semiconductor wafers. TSMC manufactured approximately 86% of the wafers manufactured by our CMs during the three fiscal quarters ended August 2, 2020. Our wafer requirements represent a significant portion of the total production capacity of TSMC. However, TSMC also fabricates wafers for other companies, including certain of our competitors, and could choose to prioritize capacity for other customers or reduce or eliminate deliveries to us on short notice, or raise their prices to us, all of which could harm our business, results of operations and gross margin. For example, Huawei Technologies Co. Ltd. ("Huawei"), as well as many of its suppliers, have significantly increased their wafer orders from TSMC due to certain U.S. export restrictions on sales to Huawei. This is causing some dislocations in the semiconductor supply chain and may result in reduced or untimely wafer deliveries to us.

Any substantial disruption in TSMC's supply of wafers to us, or in the other contract manufacturing services that we utilize, as a result of a natural disaster, political unrest, military conflict, geopolitical turmoil, trade tensions, medical epidemics, such as the COVID-19 pandemic, climate change, economic instability, equipment failure or other cause, could materially harm our business, customer relationships and results of operations.

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

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

Our manufacturing processes and those of our CMs rely on many materials, including silicon, gallium arsenide and indium phosphide wafers, copper lead frames, precious and rare earth metals, mold compound, ceramic packages and various chemicals and gases. We purchase a significant portion of our semiconductor materials, components and finished goods used in our products from a few materials providers, some of which are single source suppliers. As certain materials are highly specialized, the lead time needed to identify and qualify a new supplier is typically lengthy and there is often no readily available alternative source. During the three fiscal quarters ended August 2, 2020, we purchased approximately two-thirds of

the materials for our manufacturing processes from six materials providers. Substantially all of our purchases are on a purchase order basis, and we do not generally have long-term contracts with our materials providers. Suppliers may extend lead times, limit supplies, place products on allocation or increase prices due to commodity price increases, capacity constraints or other factors and could lead to interruption of supply or increased demand in the industry. For example, due to the COVID-19 pandemic, we have experienced some supply constraints, including with respect to wafers and substrates. Additionally, the supply of these materials may be negatively impacted by increased trade tensions between the U.S. and its trading partners, particularly China. In the event that we cannot timely obtain sufficient quantities of materials or at reasonable prices, the quality of the material deteriorates or we are not able to pass on higher materials or energy costs to our customers, our business, financial condition and results of operations could be adversely impacted.

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

A general slowdown in the global economy or in a particular region or industry, an increase in trade tensions with U.S. trading partners or a tightening of the credit markets could negatively impact our business, financial condition and liquidity. Adverse global economic conditions have from time to time caused or exacerbated significant slowdowns in the industries and markets in which we operate, which have adversely affected our business and results of operations. In recent periods, investor and customer concerns about the global economic outlook, which have significantly increased as a result of the COVID-19 pandemic, have adversely affected market and business conditions in general. Macroeconomic weakness and uncertainty also make it more difficult for us to accurately forecast revenue, gross margin and expenses, and may make it more difficult to raise or refinance debt. An escalation of trade tensions between the U.S. and China has resulted in trade restrictions and increased tariffs that harm our ability to participate in Chinese markets or compete effectively with Chinese companies. Sustained uncertainty about, or worsening of, current global economic conditions and further escalation of trade tensions between the U.S. and its trading partners, especially China and possible decoupling of the U.S. and China economies, could result in a global economic slowdown and long-term changes to global trade. Such events may also (i) cause our customers and consumers to reduce, delay or forgo technology spending, (ii) result in customers sourcing products from other suppliers not subject to such restrictions or tariffs, (iii) lead to the insolvency or consolidation of key suppliers and customers, and (iv) intensify pricing pressures. Any or all of these factors could negatively affect demand for our products and our business, financial condition and results of operations.

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

A majority of our products are produced, sourced and sold internationally and our international revenue represents a significant percentage of our overall revenue. In addition, as of August 2, 2020, approximately 50% of our employees are located outside the U.S. Multiple factors relating to our international operations and to particular countries in which we operate could have a material adverse effect on our business, financial condition and results of operations. These factors include:

- changes in political, regulatory, legal or economic conditions or geopolitical turmoil, including terrorism, war or political or military coups, or civil disturbances or political instability;
- restrictive governmental actions, such as restrictions on the transfer or repatriation of funds and foreign investments, data privacy regulations and trade protection measures, including increasing protectionism, import/export restrictions, import/export duties and quotas, trade sanctions and customs duties and tariffs, all of which have increased under the current U.S. administration;
- difficulty in obtaining product distribution and support, and transportation delays;
- potential inability to localize software products for a significant number of international markets;
- difficulty in conducting due diligence with respect to business partners in certain international markets;
- public health or safety concerns, medical epidemics or pandemics, such as COVID-19, and other natural- or man-made disasters;
- nationalization of businesses and expropriation of assets; and
- changes in tax laws.

A significant legal risk associated with conducting business internationally is compliance with the various and differing laws and regulations, including anti-corruption and anti-bribery laws and regulations, of the countries in which we do business, antitrust and competition laws, data privacy laws, money-laundering regulations and export regulations. In addition, the laws in various countries are constantly evolving and may, in some cases, conflict with each other. Although our Code of Ethics and Business Conduct and other policies prohibit us, our employees and our agents from engaging in unethical business

practices, there can be no assurance that all of our employees, distributors or other agents will refrain from acting in violation of our related anti-corruption policies and procedures. Any such violation could have a material adverse effect on our business.

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

Our business is subject to various international laws and other legal requirements, including packaging, product content, labor and import/export regulations, such as the U.S. Export Administration Regulations, and applicable executive orders, and many of our semiconductor products are regulated or sold into regulated industries. These laws, regulations and orders are complex, may change frequently and with limited notice, have generally become more stringent over time and have intensified under the current U.S. administration, especially in light of ongoing trade tensions with China. We may be required to incur significant expense to comply with, or to remedy violations of, these regulations. In addition, if our customers fail to comply with these regulations, we may be required to suspend sales to these customers, which could damage our reputation and negatively impact our results of operations. For example, Huawei, one of our customers, is subject to certain U.S. export restrictions, which will require us to suspend sales to Huawei unless we first obtain licenses from the U.S. Department of Commerce, which we may be unable to obtain in a timely manner or at all. The U.S. government may also add additional Chinese companies to its restricted entity list and add additional technologies to its list of prohibited exports to China, all of which have and will adversely affect our ability to sell our products and our revenue. These restrictive governmental actions, any similar measures that may be imposed on U.S. companies by the Chinese or other governments will likely limit or prevent us from doing business with certain of our customers or suppliers and harm our ability to compete effectively or otherwise negatively affect our ability to sell our products, and adversely affect our business and results of operations.

In addition, the manufacture and distribution of our semiconductors must comply with various laws and adapt to changes in regulatory requirements as they occur. For example, if a country in which our products are manufactured or sold sets technical standards that are not widely shared, it may require us to stop distributing our products commercially until they comply with such new standards, lead certain of our customers to suspend imports of their products into that country, require manufacturers in that country to manufacture products with different technical standards and disrupt cross-border manufacturing relationships, any of which could have a material adverse effect on our business, financial condition and results of operations. If we fail to comply with these requirements, we could also be required to pay civil penalties or face criminal prosecution.

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

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

We sell our products through a direct sales force and a select network of distributors and other channel partners globally. Sales to distributors accounted for 42% of our net revenue in the three fiscal quarters ended August 2, 2020 and are subject to a number of risks, including:

- fluctuations in demand based on our distributors' product inventory levels and end customer demand in a given quarter;
- our distributors and other channel partners are generally not subject to minimum sales requirements or any obligation to market our products to their customers;
- our distributors and other channel partners agreements are generally nonexclusive and may be terminated at any time without cause;
- our lack of control over the timing of delivery of our products to end customers;
- our distributors and other channel partners may market and distribute competing products and may, from time to time, place greater emphasis on the sale of these products due to pricing, promotions and other terms offered by our competitors; and
- dependence on a limited number of semiconductor distributors may exacerbate the foregoing risks and increase our related credit risk.

One of our significant distributors, Tech Data Corporation, was recently acquired by a private equity firm. This may result in a change in their operations, business focus and financial capacity, which could adversely affect our relationship with, and ability to sell products to, them.

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

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

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

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

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

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

Our growth strategy includes the acquisition of, and investment in, businesses that offer complementary products, services and technologies, augment our market coverage, or enhance our technological capabilities. We may also enter into strategic alliances or joint ventures to achieve these goals.

Any acquisitions we may undertake and their integration involve risks and uncertainties, such as:

- unexpected delays, challenges and related expenses, and disruption of our business;
- diversion of management's attention from daily operations and the pursuit of other opportunities;
- incurring significant restructuring charges and amortization expense, assuming liabilities (some of which may be unexpected) and ongoing or new lawsuits related to the transaction or otherwise, potential impairment of acquired goodwill and other intangible assets, and increasing our expenses and working capital requirements;
- the potential for deficiencies in internal controls at the acquired business, as well as implementing our own management information systems, operating systems and internal controls for the acquired operations;
- our due diligence process may fail to identify significant issues with the acquired company's products, financial disclosures, accounting practices, legal, tax and other contingencies, compliance with local laws and regulations (and interpretations thereof) in multiple international jurisdictions, as well as compliance with U.S. laws and regulations;
- additional acquisition-related debt, which could increase our leverage and potentially negatively affect our credit ratings resulting in more restrictive borrowing terms or increased borrowing costs thereby limiting our ability to borrow;
- dilution of stock ownership of existing stockholders
- difficulties integrating the acquired business or company and in managing and retaining acquired employees, vendors and customers; and

- inaccuracies in our original estimates and assumptions used to assess a transaction, which may result in us not realizing the expected financial or strategic benefits of any such transaction.

In addition, regulatory approvals required in connection with an acquisition, such as those from the U.S. Department of Justice, the FTC, the European Commission Directorate-General for Competition or, where applicable, the China State Administration for Market Regulation, may take longer than anticipated to obtain, may not be obtained at all or may contain materially burdensome conditions, which may jeopardize, delay or reduce the anticipated benefits of the transaction to us.

From time to time, we may also seek to divest or wind down portions of our business, either acquired or otherwise, or we may exit minority investments, any of which could materially affect our cash flows and results of operations. Any future dispositions we may make could involve risks and uncertainties, including our ability to sell such businesses on terms acceptable to us, or at all, disruption to other parts of our business, potential loss of employees or customers, or exposure to unanticipated liabilities or ongoing obligations to us following any such dispositions. In addition, dispositions may include the transfer of technology and/or the licensing of certain IP rights to third-party purchasers, which could limit our ability to utilize such IP rights or assert these rights against such third-party purchasers or other third parties.

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

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

The industries in which we operate are characterized by companies holding large numbers of patents, copyrights, trademarks and trade secrets and by the vigorous pursuit, protection and enforcement of IP rights, including actions by patent-holding companies that do not make or sell products. From time to time, third parties assert against us and our customers and distributors their patent, copyright, trademark, trade secret and other IP rights to technologies that are important to our business. For example, in August 2020 judgement was entered against Broadcom and Apple for infringement of certain patents pursuant to which California Institute of Technology was awarded past damages of \$270.2 million from Broadcom and \$837.8 million from Apple (plus, in each case, interest thereon from the date of the judgement), for which Apple is seeking indemnification from Broadcom. Although we plan to appeal this judgement, there are no assurances that we will be successful. In addition, such third parties may also seek the enhancement of damages by up to as much as three times by claiming the infringement is willful.

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

- cease the manufacture, use or sale of the infringing products, processes or technology and/or make changes to our processes or products;
- pay substantial damages for past, present and future use of the infringing technology;
- expend significant resources to develop non-infringing technology;
- license technology from the third-party claiming infringement, which license may not be available on commercially reasonable terms, or at all;

- enter into cross-licenses with our competitors, which could weaken our overall IP portfolio and our ability to compete in particular product categories;
- indemnify our customers or distributors and/or recall, or accept the return of, infringing products;
- pay substantial damages to our direct or end customers to discontinue use or replace infringing technology with non-infringing technology; or
- relinquish IP rights associated with one or more of our patent claims, if such claims are held invalid or otherwise unenforceable.

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

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

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

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

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

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

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

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

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

During the COVID-19 pandemic, we have moved largely to a build to order model and have extended customer lead times substantially in light of the global economic uncertainty and ongoing supply chain challenges. However, more typically, to ensure the availability of our semiconductor products, particularly for our largest customers, we start manufacturing our relevant products based on our customers' forecasts, which are not binding. As a result, we incur inventory and manufacturing costs in advance of anticipated sales that may never materialize or that may be substantially lower than expected. If actual demand for our products is lower than forecast, we may also experience higher inventory carrying and operating costs and product obsolescence. Because certain of our sales, research and development, and internal manufacturing overhead expenses are relatively fixed, a reduction in customer demand may also decrease our gross margin and operating income.

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

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

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

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

Our semiconductor business is dependent on us winning competitive bid selection processes, known as "design wins". These selection processes are typically lengthy and can require us to dedicate significant development expenditures and scarce engineering resources in pursuit of a single customer opportunity. Failure to obtain a particular design win may prevent

us from obtaining design wins in subsequent generations of a particular product. This can result in lost revenue and can weaken our position in future competitive bid selection processes.

Winning a product design does not guarantee sales to a customer or that we will realize as much revenue as anticipated, if any. A delay or cancellation of a customer's plans could materially and adversely affect our financial results, as we incur significant expense in the design process and may generate little or no revenue from it. In addition, the timing of design wins is unpredictable and implementing production for a major design win, or multiple design wins occurring at the same time, may strain our resources and those of our CMs. In such event, we may be forced to dedicate significant additional resources and incur additional, unanticipated costs and expenses. Often customers will only purchase limited numbers of evaluation units from us until they qualify the products and/or the manufacturing line for those products. The qualification process can take significant time and resources and we may not always be able to satisfy customers' qualification requirements. Delays in qualification or failure to qualify our products may cause a customer to discontinue use of our products and result in a significant loss of revenue. Finally, customers could choose at any time to stop using our products or could fail to successfully market and sell their products, which could reduce demand for our products, and cause us to hold excess inventory, materially adversely affecting our business, financial condition and results of operations. These risks are exacerbated by the fact that many of our products, and the end products into which our products are incorporated, often have very short life cycles.

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

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

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

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

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

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

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

Although we operate a primarily outsourced manufacturing business model, we also rely on our own manufacturing facilities, in particular in Fort Collins, Colorado, Singapore, and Breinigsville, Pennsylvania. We use these internal fabrication facilities for products utilizing our innovative and proprietary processes, in order to protect our IP, to accelerate time to market of our products and to ensure supply of certain components. Our Fort Collins and Breinigsville facilities are the sole sources for the FBAR components used in many of our wireless devices and for the indium phosphide-based wafers used in

our fibre optics products, respectively. Many of our facilities, and those of our CMs and suppliers, are located in California and the Pacific Rim region, which has above average seismic activity and severe weather activity. In addition, our research and development personnel are primarily concentrated in Canada, China, Czech Republic, India, Israel, Singapore, South Korea, United Kingdom, California and Colorado, with the expertise of the personnel at each such location tending to be focused on one or two specific areas, and our primary warehouse is in Malaysia.

A prolonged disruption at or shut-down of one or more of our manufacturing facilities or warehouses for any reason, especially our Colorado, Singapore, Malaysia and Pennsylvania facilities, or those of our CMs or suppliers, due to natural- or man-made disasters or other events outside of our control, such as equipment malfunction or widespread outbreaks of acute illness, including COVID-19, would limit our capacity to meet customer demands and delay new product development until a replacement facility and equipment, if necessary, were found. Any such event would likely disrupt our operations, delay production, shipments and revenue, result in us being unable to timely satisfy customer demand, expose us to claims by our customers, result in significant expense to repair or replace our affected facilities, and, in some instances, could significantly curtail our research and development efforts in a particular product area or target market. As a result, we could forgo revenue opportunities, potentially lose market share, damage our customer relationships and be subject to litigation and additional liabilities, all of which could materially and adversely affect our business. Although we purchase insurance to mitigate certain losses, such insurance often carries a high deductible amount and any uninsured losses could negatively affect our operating results. In addition, even if we were able to promptly resume production of our affected products, if our customers cannot timely resume their own manufacturing following such an event, they may cancel or scale back their orders from us and this may in turn adversely affect our results of operations. Such events could also result in increased fixed costs relative to the revenue we generate and adversely affect our results of operations.

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

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

In addition, future government restrictions imposed as a result of the COVID-19 pandemic that limit our manufacturing capabilities could severely impact our ability to manufacture our proprietary products, adversely affecting our wireless business.

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

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

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

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

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

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

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

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

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

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

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

We also generate some of our revenue from licensing royalty payments and from technology claim settlements relating to certain of our IP. Licensing of our IP rights, particularly exclusive licenses, may limit our ability to assert those IP rights against third parties, including the licensee of those rights. In addition, we may acquire companies with IP that is subject to licensing obligations to other third parties. These licensing obligations may extend to our own IP following any such acquisition and may limit our ability to assert our IP rights. From time to time, we pursue litigation to assert our IP rights, including, in some cases, against third parties with whom we have ongoing relationships, such as customers and suppliers. Claims of this sort could also harm our relationships with our customers and might deter future customers from doing business with us. Conversely, third parties may pursue IP litigation against us, including as a result of our IP licensing business.

An adverse decision in such types of legal action could limit our ability to assert our IP rights and limit the value of our technology, including the loss of opportunities to sell or license our technology to others or to collect royalty payments based upon successful protection and assertion of our IP against others. In addition, such legal actions or adverse decisions could otherwise negatively impact our business, financial condition and results of operations.

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

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

The largest suppliers of systems and computing software are, in most cases, the manufacturers of the computer hardware systems used by most of our customers, particularly in the mainframe space. These companies periodically modify or introduce new operating systems, systems software and computer hardware, which could require substantial modification of our products to maintain compatibility with these companies' hardware or software. Additionally, we must continually address the challenges of dynamic and accelerating market trends and competitive developments, such as the emergence of advanced persistent threats in the security space to compete effectively. Customers may require features and capabilities that our current solutions do not have. There can be no assurance that we will be able to adapt our products in response to these developments.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The industries in which we compete are characterized by rapid technological change, changes in customer requirements, frequent new product introductions and enhancements, short product cycles and evolving industry standards, new delivery methods and require substantial investment in our research and development in order to develop and bring to market new

and enhanced technologies and products. In addition, semiconductor products transition over time to increasingly smaller line width geometries. This requires us to adapt our products and manufacturing processes to these new technologies, which requires expertise in new procedures. Our failure to successfully transition to smaller geometry process technologies could impair our competitive position. In order to remain competitive, we have made, and expect to continue to make, significant investments in research and development. If we fail to develop new and enhanced products and technologies, if we focus on technologies that do not become widely adopted, or if new competitive technologies that we do not support become widely accepted, demand for our products may be reduced. Significant investments in unsuccessful research and development efforts could materially adversely affect our business, financial condition and results of operations. In addition, increased investments in research and development could cause our cost structure to fall out of alignment with demand for our products, which would have a negative impact on our financial results.

We collect, use, store, or otherwise process personal information, which subjects us to privacy and data security laws and contractual commitments, and our actual or perceived failure to comply with such laws and commitments could harm our business.

We collect, use and store (collectively, “process”) a high volume, variety and velocity of certain personal information in connection with the operation of our business. This creates various levels of privacy risks across different parts of our business, depending on the type of personal information and the purpose of their processing. The personal information we process is subject to an increasing number of federal, state, local, and foreign laws regarding privacy and data security, as well as contractual commitments. Any failure or perceived failure by us to comply with such obligations may result in governmental enforcement actions, fines or litigation and could cause our customers to lose trust in us, which could have an adverse effect on our reputation and business.

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

To ensure that its products are continually enhanced to protect against constantly evolving, increasingly sophisticated and wide-spread cyber-threats, NortonLifeLock Inc. relied on threat intelligence gathered from both its consumer business and the Symantec Business. We and NortonLifeLock Inc. continue using threat intelligence relating to the Symantec Business and the NortonLifeLock Inc. consumer business, respectively.

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

We are subject to a variety of international laws and regulations relating to the use, disposal, clean-up of and human exposure to, hazardous materials. Compliance with environmental, health and safety requirements could, among other things, require us to modify our manufacturing processes, restrict our ability to expand our facilities, or require us to acquire pollution control equipment, all of which can be very costly. Any failure by us to comply with such requirements could result in the limitation or suspension of the manufacture of our products and could result in litigation against us and the payment of significant fines and damages by us in the event of a significant adverse judgement. In addition, complying with any cleanup or remediation obligations for which we are or become responsible could be costly and have a material adverse effect on our business, financial condition and results of operations.

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

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

There is an increasing focus on corporate social and environmental responsibility in the semiconductor industry, particularly with OEMs that manufacture consumer electronics. A number of our customers have adopted, or may adopt, procurement policies that include social and environmental responsibility provisions that their suppliers should comply with,

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

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

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

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

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

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

Accidental or willful security breaches or other unauthorized access by third parties or our employees or contractors of our facilities, our information systems or the systems of our cloud-based or other service providers, or the existence of computer viruses or malware in our or their data or software could expose us to a risk of information loss and misappropriation of proprietary and confidential information, including information relating to our products or customers and the personal information of our employees. We have, from time to time, also been subject to, or attempts of, unauthorized network intrusions and malware on our own IT networks. As a result of the COVID-19 pandemic, remote access to our networks and systems has increased substantially. While we have taken steps to secure our networks and systems, we may be more vulnerable to a successful cyber-attack or information security incident while our workforce works remotely.

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

Any theft, accidental loss or misuse of confidential, personally identifiable or proprietary information could disrupt our business and result in, among other things, unfavorable publicity, damage to our reputation, loss of our trade secrets and other competitive information, difficulty in marketing our products, allegations by our customers that we have not performed our contractual obligations, litigation by affected parties and possible financial obligations for liabilities and damages related to the theft or misuse of such information, as well as fines and other sanctions resulting from any related breaches of data

privacy regulations (such as the General Data Protection Regulation), any of which could have a material adverse effect on our business, profitability and financial condition. Interruptions in our operations and services or disruptions to the functionality provided by our software, including the operation of our global civilian cyber intelligence threat network, could adversely impact our revenues or cause customers to cease doing business with us. In addition, our business would be harmed if any of the events of this nature caused our customers and potential customers to believe our services are unreliable. Our operations are dependent upon our ability to protect our technology infrastructure against damage from business continuity events that could have a significant disruptive effect on our operations. Since the techniques used to obtain unauthorized access to systems or to otherwise sabotage them, change frequently and are often not recognized until launched against a target, we may be unable to anticipate these techniques or to implement adequate preventative measures.

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

We are required to assess the effectiveness of our internal control over financial reporting annually, as required by Section 404 of the Sarbanes-Oxley Act. Even though, as of November 3, 2019, we concluded that our internal control over financial reporting was effective, we need to maintain our processes and systems and adapt them as our business grows and changes, including to reflect our integration of the Symantec Business, as well as any future acquisitions we may undertake. This continuous process of maintaining and adapting our internal controls and complying with Section 404 is expensive, time consuming and requires significant management attention. We cannot be certain that our internal control measures will continue to provide adequate control over our financial processes and reporting and ensure compliance with Section 404. Furthermore, as we grow our business or acquire other businesses, our internal controls may become more complex and we may require significantly more resources to ensure they remain effective. Failure to implement required new or improved controls, or difficulties encountered in the implementation of such controls, either in our existing business or in businesses that we acquire, could harm our operating results or cause us to fail to meet our reporting obligations. If we or our independent registered public accounting firm identify material weaknesses in our internal controls, the disclosure of that fact, even if quickly remedied, may cause investors to lose confidence in our financial statements and the trading price of our common stock may decline.

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

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

Our reported financial results are impacted by the accounting standards promulgated by the SEC and national accounting standards bodies and the methods, estimates and judgements that we use in applying those standards in our accounting policies. New standards, changes to existing standards and changes in their interpretation, have required and, in the future, may require us to change our accounting policies and procedures, or implement new or enhance existing systems. For example, ASU 2014-09, Revenue from Contracts with Customers ("Topic 606") became effective for us starting with fiscal year 2019. In connection with our adoption of a policy that allows customers to terminate their CA and Symantec software contracts for convenience, we have established revenue recognition accounting policies and procedures under Topic 606 that we believe are appropriate how we conduct those businesses. While we believe our policies and procedures are reasonable and appropriate, they are based on methods, estimates and judgements that are subject to risks, uncertainties, assumptions and changes that could adversely affect our reported financial position and financial results.

Fluctuations in foreign exchange rates could result in losses.

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

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

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

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

In addition, many countries are implementing legislation and other guidance to align their international tax rules with the Organisation for Economic Co-operation and Development's ("OECD") Base Erosion and Profit Shifting recommendations and action plan that aim to standardize and modernize global corporate tax policy, including changes to cross-border tax, transfer pricing documentation rules, and nexus-based tax incentive practices. The OECD is also continuing discussions surrounding fundamental changes in allocation of profits among tax jurisdictions in which companies do business, as well as the implementation of a global minimum tax (namely the "Pillar One" and "Pillar Two" proposals). As a result of the heightened scrutiny of corporate taxation policies, prior decisions by tax authorities regarding treatments and positions of corporate income taxes could be subject to enforcement activities, and legislative investigation and inquiry, which could also result in changes in tax policies or prior tax rulings. Any such changes in policies or rulings may also result in the taxes we previously paid being subject to change. Further, governments in the countries in which we operate have passed, and may pass additional legislation intended to alleviate the economic burdens of COVID-19 and to fund economic recovery and growth, including various temporary tax incentives or relief and restricted tax measures, which could result in future tax increases. We cannot predict the extent to which the COVID-19 pandemic will impact our tax liabilities and are continuing to evaluate the impact of the new legislation to our financial statements.

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

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

Our operations are currently structured to benefit from the various tax incentives and tax holidays extended to us in various jurisdictions to encourage investment or employment. For example, our principal tax incentives from the Singapore Economic Development Board, an agency of the Government of Singapore, provides that any qualifying income we earn in Singapore is subject to tax incentives or reduced rates of Singapore income tax. Absent these tax incentives, the corporate income tax rate that would otherwise apply to our Singapore taxable income would be 17%. These Singapore tax incentives are expected to expire in November 2025, subject to potential extensions, which we may or may not be able to obtain, and any subsequent changes in incentive scope or legislative developments. We also have a tax holiday on our qualifying income in Malaysia, which is scheduled to expire in fiscal year 2028. The tax incentives and tax holiday that we have obtained are also subject to our compliance with various operating and other conditions and may, in some instances, be amended or terminated prior to their scheduled termination date by the relevant governmental authority. If we cannot, or elect not to, comply with the operating conditions included in any particular tax incentive or tax holiday, we could, in some instances, be required to refund previously realized material tax benefits, or if such tax incentive or tax holiday is terminated prior to its expiration absent a new incentive applying, we will lose the related tax benefits earlier than scheduled. Depending on the incentive at issue, we could also be required to modify our operational structure and tax strategy in order to keep the incentive, which may not be as beneficial to us as the present structure or tax strategy, or we may elect to modify our operational structure that results in a decrease in the benefits of the incentive. Our tax incentives and tax holiday, before taking into consideration the effects of the 2017 Tax Reform Act and other indirect tax provisions, increased the benefit from income taxes by approximately \$923 million in the aggregate and increased diluted net income per share by \$2.20 for fiscal year 2019.

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

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

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

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

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

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

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

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

The Internal Revenue Service may not agree that prior to our redomiciliation into the U.S., our predecessor, Broadcom Limited should have been treated as a foreign corporation for U.S. federal income tax purposes.

Although Broadcom Limited, our predecessor, was a Singapore entity, the Internal Revenue Service ("IRS") may assert that following our acquisition of BRCM, Broadcom Limited should have been treated as a U.S. corporation for U.S. federal income tax purposes pursuant to Section 7874 of the Internal Revenue Code of 1986, as amended (the "Code"). If the IRS were to determine that under Section 7874 of the Code, the former shareholders of BRCM held at least 60% of the vote or value of the ordinary shares of Broadcom Limited immediately after our acquisition of BRCM, such percentage referred to as the "Section 7874 Percentage", Broadcom Limited would be treated as a "surrogate foreign corporation" and several limitations could then apply to BRCM. For example, BRCM would be prohibited from using its net operating losses, foreign tax

credits or other tax attributes to offset the income or gain recognized by reason of the transfer of property to a foreign related person during the 10-year period following our acquisition of BRCM or any income received or accrued during such period by reason of a license of any property by BRCM to a foreign related person. Moreover, in such case, Section 4985 of the Code and rules related thereto would impose an excise tax on the value of certain stock compensation held directly or indirectly by certain BRCM “disqualified individuals” (including former officers and directors of BRCM) at a rate equal to 15%, but only if a gain is otherwise recognized by BRCM former shareholders as a result of our acquisition of BRCM. If the IRS were to determine the Section 7874 Percentage was 80% or more, then Broadcom Limited would be treated as a U.S. corporation for U.S. federal income tax purposes.

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

Risks Relating to Our Indebtedness

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

As of August 2, 2020, the aggregate indebtedness under our senior notes and term loans was \$35,610 million and \$8,888 million, respectively. We expect to maintain significant levels of indebtedness going forward.

Our substantial indebtedness could have important consequences including:

- increasing our vulnerability to adverse general economic and industry conditions;
- exposing us to interest rate risk due to our variable rate term facilities, which we do not typically hedge against;
- limiting our flexibility in planning for, or reacting to, changes in the economy and the semiconductor industry;
- placing us at a competitive disadvantage compared to our competitors with less indebtedness;
- making it more difficult to borrow additional funds in the future to fund growth, acquisitions, working capital, capital expenditures and other purposes; and
- potentially requiring us to dedicate a substantial portion of our cash flow from operations to payments on our indebtedness, thereby reducing the availability of our cash flow to fund our other business needs.

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

We receive debt ratings from the major credit rating agencies in the U.S. Factors that may impact our credit ratings include debt levels, planned asset purchases or sales and near-term and long-term production growth opportunities. Liquidity, asset quality, cost structure, reserve mix and commodity pricing levels could also be considered by the rating agencies. While we are focused on maintaining investment grade ratings from these agencies, we may be unable to do so. Any downgrade in our credit rating or the ratings of our indebtedness, or adverse conditions in the debt capital markets, could:

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

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

The instruments governing our indebtedness contain certain covenants imposing restrictions on our business. These restrictions may affect our ability to operate our business, to plan for, or react to, changes in the market conditions or our capital needs and may limit our ability to take advantage of potential business opportunities as they arise. The restrictions placed on us include maintenance of an interest coverage ratio and limitations on our ability to incur certain secured debt, enter into certain sale and lease-back transactions and consolidate, merge, sell or otherwise dispose of all or substantially all of our assets. In addition, the instruments contain customary events of default upon the occurrence of which, after any applicable grace period, the indebtedness could be declared immediately due and payable. In such event, we may not have

sufficient available cash to repay such debt at the time it becomes due, or be able to refinance such debt on acceptable terms or at all. Any of the foregoing could materially adversely affect our business, financial condition and results of operations.

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

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

Risks Relating to Owning Our Common Stock

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

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

- actual or anticipated fluctuations in our financial condition and operating results;
- issuance of new or updated research or other reports by securities analysts;
- fluctuations in the valuation and results of operations of our significant customers as well as companies perceived by investors to be comparable to us;
- announcements of proposed acquisitions by us or our competitors;
- announcements of, or expectations of, additional debt or equity financing transactions;
- stock price and volume fluctuations attributable to inconsistent trading volume levels of our common stock;
- changes in our dividend or stock repurchase policies or our ability to pay dividends;
- issuance, and subsequent sale, of common stock upon conversion of our 8.00% Mandatory Convertible Preferred Stock, Series A ("Mandatory Convertible Preferred Stock");
- hedging or arbitrage trading activity involving our Mandatory Convertible Preferred Stock or common stock;
- the initiation or conclusion of legal proceedings or government inquiries or investigations involving Broadcom;
- announcement or imposition of restrictive governmental actions, such as import/export restrictions, duties and quotas, trade sanctions or customs duties and tariffs that may affect our business; and
- unsubstantiated news reports or other inaccurate publicity regarding us or our business.

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

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

As of June 30, 2020, we believe 11 of our 20 largest holders of common stock were active institutional investors who held approximately 33% of our outstanding shares of common stock in the aggregate, with Capital World Investors being our largest stockholder with approximately 10% of our outstanding shares of common stock. These investors may sell their shares at any time for a variety of reasons and such sales could depress the market price of our common stock. In addition, any such

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

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

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

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

Our actual operating results may differ significantly from our guidance.

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

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

Guidance is necessarily speculative in nature, and it can be expected that some or all of the assumptions of the guidance furnished by us will not materialize or will vary significantly from actual results, particularly any guidance relating to the results of operations of acquired businesses or companies as our management will, necessarily, be less familiar with their business, procedures and operations. Accordingly, our guidance is only an estimate of what management believes is realizable as of the date of release. Actual results will vary from the guidance and the variations may be material. Investors should also recognize that the reliability of any forecasted financial data will diminish the farther in the future that the data are forecast. Extraordinary externalities, like the recent COVID-19 pandemic, make providing reliable guidance even more challenging and actual results are more likely to differ from any guidance we may provide during the pendency of such circumstances. In light of the foregoing, investors are urged to put the guidance in context and not to place undue reliance on it.

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

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

Issuer Purchases of Equity Securities

During the fiscal quarter ended August 2, 2020, we paid approximately \$192 million in employee withholding taxes due upon the vesting of net settled equity awards. We withheld less than 1 million shares of common stock from employees in connection with such net share settlement at an average price of \$297.82 per share. These shares may be deemed to be “issuer purchases” of shares.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

None.

Item 6. Exhibits
EXHIBIT INDEX

Exhibit Number	Description	Incorporated by Reference Herein		Filed Herewith
		Form	Filing Date	
2.1#	Agreement and Plan of Merger, dated as of July 11, 2018, by and among Broadcom Inc., Collie Acquisition Corp. and CA, Inc.	Broadcom Inc. Current Report on Form 8-K (Commission File No. 001-38449)	July 12, 2018	
2.2#	Asset Purchase Agreement, dated August 8, 2019, by and between Broadcom Inc. and Symantec Corporation.	Broadcom Inc. Current Report on Form 8-K (Commission File No. 001-38449)	August 9, 2019	
3.1	Amended and Restated Certificate of Incorporation	Broadcom Inc. Current Report on Form 8-K12B (Commission File No. 001-38449)	April 4, 2018	
3.2	Certificate of Designation of the 8.00% Mandatory Convertible Preferred Stock, Series A.	Broadcom Inc. Current Report on Form 8-K (Commission File No. 001-38449)	September 30, 2019	
3.3	Amended and Restated Bylaws	Broadcom Inc. Current Report on Form 8-K12B (Commission File No. 001-38449)	April 4, 2018	
4.1	Form of Common Stock Certificate.	Broadcom Inc. Quarterly Report on Form 10-Q (Commission File No. 001-38449)	June 14, 2018	
4.2	Form of Certificate of the 8.00% Mandatory Convertible Preferred Stock, Series A (included in the Exhibit 3.2).	Broadcom Inc. Current Report on Form 8-K (Commission File No. 001-38449)	September 30, 2019	
4.3	Description of Common Stock.	Broadcom Inc. Annual Report on Form 10-K (Commission File No. 001-38449)	December 20, 2019	
4.4	Description of 8.00% Mandatory Convertible Preferred Stock, Series A.	Broadcom Inc. Annual Report on Form 10-K (Commission File No. 001-38449)	December 20, 2019	
4.5	Indenture, dated as of January 19, 2017, by and among the Broadcom Corporation and Broadcom Cayman Finance Limited (the "Co-Issuers"), the Company, Broadcom Cayman L.P., and BC Luxembourg S.à r.l., as guarantors, and Wilmington Trust, National Association, as trustee.	Broadcom Limited Current Report on Form 8-K (Commission File No. 001-37690)	January 20, 2017	
4.6	Supplement Indenture to the January 2017 Indenture, dated as of April 9, 2018.	Broadcom Inc. Current Report on Form 8-K (Commission File No. 001-38449)	April 9, 2018	
4.7	Second Supplement Indenture to the January 2017 Indenture, dated as of January 25, 2019.	Broadcom Inc. Current Report on Form 8-K (Commission File No. 001-38449)	January 25, 2019	
4.8	Form of 2.375% Senior Note due 2020 (included in Exhibit 4.5).	Broadcom Limited Current Report on Form 8-K (Commission File No. 001-37690)	January 20, 2017	
4.9	Form of 3.000% Senior Note due 2022 (included in Exhibit 4.5).	Broadcom Limited Current Report on Form 8-K (Commission File No. 001-37690)	January 20, 2017	
4.10	Form of 3.625% Senior Note due 2024 (included in Exhibit 4.5).	Broadcom Limited Current Report on Form 8-K (Commission File No. 001-37690)	January 20, 2017	
4.11	Form of 3.875% Senior Note due 2027 (included in Exhibit 4.5).	Broadcom Limited Current Report on Form 8-K (Commission File No. 001-37690)	January 20, 2017	
4.12	Indenture, dated as of October 17, 2017, by and among the Co-Issuers, the Company and Broadcom Cayman L.P., as guarantors, and Wilmington Trust, National Association, as trustee.	Broadcom Limited Current Report on Form 8-K (Commission File No. 001-37690)	October 17, 2017	
4.13	Supplemental Indenture to October 2017 Indenture, dated as of April 9, 2018.	Broadcom Inc. Current Report on Form 8-K (Commission File No. 001-38449)	April 9, 2018	
4.14	Second Supplemental Indenture to October 2017 Indenture, dated as of January 25, 2019.	Broadcom Inc. Current Report on Form 8-K (Commission File No. 001-38449)	January 25, 2019	
4.15	Form of 2.200% Senior Note due 2021 (included in Exhibit 4.12).	Broadcom Limited Current Report on Form 8-K (Commission File No. 001-37690)	October 17, 2017	
4.16	Form of 2.650% Senior Note due 2023 (included in Exhibit 4.12).	Broadcom Limited Current Report on Form 8-K (Commission File No. 001-37690)	October 17, 2017	
4.17	Form of 3.125% Senior Note due 2025 (included in Exhibit 4.12).	Broadcom Limited Current Report on Form 8-K (Commission File No. 001-37690)	October 17, 2017	
4.18	Form of 3.500% Senior Note due 2028 (included in Exhibit 4.12).	Broadcom Limited Current Report on Form 8-K (Commission File No. 001-37690)	October 17, 2017	

4.18	Form of 3.500% Senior Note due 2020 (included in Exhibit 4.12).	Broadcom Limited Current Report on Form 8-K (Commission File No. 001-37690)	October 17, 2017	
4.19	Indenture, dated as of April 5, 2019, by and among the Company, as Issuer, Broadcom Technologies Inc., Broadcom Corporation and Broadcom Cayman Finance Limited (the "2019 Guarantors"), and Wilmington Trust, National Association, as trustee.	Broadcom Inc. Current Report on Form 8-K (Commission File No. 001-38449)	April 5, 2019	
4.20	Form of 3.125% Senior Notes due 2021 (included in Exhibit 4.19).	Broadcom Inc. Current Report on Form 8-K12B (Commission File No. 001-38449)	April 5, 2019	
4.21	Form of 3.125% Senior Notes due 2022 (included in Exhibit 4.19).	Broadcom Inc. Current Report on Form 8-K (Commission File No. 001-38449)	April 5, 2019	
4.22	Form of 3.625% Senior Notes due 2024 (included in Exhibit 4.19).	Broadcom Inc. Current Report on Form 8-K (Commission File No. 001-38449)	April 5, 2019	
4.23	Form of 4.250% Senior Notes due 2026 (included in Exhibit 4.19).	Broadcom Inc. Current Report on Form 8-K (Commission File No. 001-38449)	April 5, 2019	
4.24	Form of 4.750% Senior Notes due 2029 (included in Exhibit 4.19).	Broadcom Inc. Current Report on Form 8-K (Commission File No. 001-38449)	April 5, 2019	
4.25	Registration Rights Agreement, dated as of April 5, 2019, by and among the Company, the 2019 Guarantors and Merrill Lynch, Pierce, Fenner & Smith Incorporated and J.P. Morgan Securities LLC, as representatives of the several initial purchasers of the 2019 Senior Notes.	Broadcom Inc. Current Report on Form 8-K (Commission File No. 001-38449)	April 5, 2019	
4.26	Indenture, dated as of April 9, 2020, by and among the Company, as Issuer, Broadcom Technologies Inc. and Broadcom Corporation (the "2020 Guarantors"), and Wilmington Trust, National Association, as trustee.	Broadcom Inc. Current Report on Form 8-K (Commission File No. 001-38449)	April 9, 2020	
4.27	Form of 4.700% Senior Notes due 2025 (included in Exhibit 4.26).	Broadcom Inc. Current Report on Form 8-K (Commission File No. 001-38449)	April 9, 2020	
4.28	Form of 5.000% Senior Notes due 2030 (included in Exhibit 4.26).	Broadcom Inc. Current Report on Form 8-K (Commission File No. 001-38449)	April 9, 2020	
4.29	Registration Rights Agreement, dated as of April 9, 2020, by and among the Company, the 2020 Guarantors and J.P. Morgan Securities LLC, as representative of the several initial purchasers of the April 2020 Senior Notes.	Broadcom Inc. Current Report on Form 8-K (Commission File No. 001-38449)	April 9, 2020	
4.30	Indenture, dated as of May 8, 2020, by and among the Company, as Issuer, the 2020 Guarantors, and Wilmington Trust, National Association, as trustee.	Broadcom Inc. Current Report on Form 8-K (Commission File No. 001-38449)	May 8, 2020	
4.31	Form of 2.250% Senior Notes due 2023 (included in Exhibit 4.30).	Broadcom Inc. Current Report on Form 8-K (Commission File No. 001-38449)	May 8, 2020	
4.32	Form of 3.150% Senior Notes due 2025 (included in Exhibit 4.30).	Broadcom Inc. Current Report on Form 8-K (Commission File No. 001-38449)	May 8, 2020	
4.33	Form of 4.150% Senior Notes due 2030 (included in Exhibit 4.30).	Broadcom Inc. Current Report on Form 8-K (Commission File No. 001-38449)	May 8, 2020	
4.34	Form of 4.300% Senior Notes due 2032 (included in Exhibit 4.30).	Broadcom Inc. Current Report on Form 8-K (Commission File No. 001-38449)	May 8, 2020	
4.35	Registration Rights Agreement, dated as of May 8, 2020, by and among the Company, the 2020 Guarantors and Citigroup Global Markets Inc., HSBC Securities (USA) Inc., J.P. Morgan Securities LLC and Wells Fargo Securities, LLC, as representatives of the several initial purchasers of the May 2020 Senior Notes.	Broadcom Inc. Current Report on Form 8-K (Commission File No. 001-38449)	May 8, 2020	
4.36	Indenture, dated as of May 21, 2020, by and among the Company, the 2020 Guarantors and Wilmington Trust, National Association, as trustee.	Broadcom Inc. Current Report on Form 8-K (Commission File No. 001-38449)	May 21, 2020	
4.37	Form of 3.459% Senior Notes due 2026 (included in Exhibit 4.36).	Broadcom Inc. Current Report on Form 8-K (Commission File No. 001-38449)	May 21, 2020	
4.38	Form of 4.110% Senior Notes due 2028 (included in Exhibit 4.36).	Broadcom Inc. Current Report on Form 8-K (Commission File No. 001-38449)	May 21, 2020	
4.39	Registration Rights Agreement, dated as of May 21, 2020, by and among the Company, the 2020 Guarantors and Barclays Capital Inc. and Credit Suisse Securities (USA) LLC, as dealer-managers in connection with the Exchange Offers.	Broadcom Inc. Current Report on Form 8-K (Commission File No. 001-38449)	May 21, 2020	
31.1	Certification of Principal Executive Officer of Broadcom Inc. Pursuant to Rule 13a-14 of the Securities Exchange Act of 1934, As Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.			X
31.2	Certification of Principal Financial Officer of Broadcom Inc. Pursuant to Rule 13a-14 of the Securities Exchange Act of 1934, As Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.			X
32.1	Certification of Principal Executive Officer of Broadcom Inc. Pursuant to 18 U.S.C. Section 1350, As Adopted			X

[inc. Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)

32.2	<u>Certification of Principal Financial Officer of Broadcom Inc. Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>	X
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.	X
101.SCH	XBRL Schema Document	X
101.CAL	XBRL Calculation Linkbase Document	X
101.DEF	XBRL Definition Linkbase Document	X
101.LAB	XBRL Labels Linkbase Document	X
101.PRE	XBRL Presentation Linkbase Document	X
104	Cover Page Interactive Data File - the cover page interactive data file does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.	X

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

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

BROADCOM INC.

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

Thomas H. Krause, Jr.

Chief Financial Officer

Date: September 11, 2020