

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

FORM 10-Q

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

For the quarterly period ended December 29, 2018

or

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 001-36801

**QORVO**

**Qorvo, Inc.**

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

46-5288992

(I.R.S. Employer Identification No.)

7628 Thorndike Road, Greensboro, North Carolina 27409-9421

(Address of principal executive offices)

(Zip Code)

(336) 664-1233

(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.

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

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As of January 30, 2019, there were 122,788,565 shares of the registrant's common stock outstanding.

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**QORVO, INC. AND SUBSIDIARIES**

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## PART I — FINANCIAL INFORMATION

## ITEM 1.

**QORVO, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(In thousands, except per share data)  
(Unaudited)

	December 29, 2018	March 31, 2018
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 649,711	\$ 926,037
Accounts receivable, less allowance of \$159 and \$134 as of December 29, 2018 and March 31, 2018, respectively	420,903	345,957
Inventories (Note 3)	464,949	472,292
Prepaid expenses	23,961	23,909
Other receivables	21,899	44,795
Other current assets	34,113	30,815
Total current assets	1,615,536	1,843,805
Property and equipment, net of accumulated depreciation of \$1,159,495 at December 29, 2018 and \$911,910 at March 31, 2018	1,397,589	1,374,112
Goodwill	2,173,889	2,173,889
Intangible assets, net of accumulated amortization of \$2,110,694 at December 29, 2018 and \$1,711,520 at March 31, 2018 (Note 4)	463,359	860,336
Long-term investments (Note 5)	90,696	63,765
Other non-current assets	65,222	65,612
Total assets	<u>\$ 5,806,291</u>	<u>\$ 6,381,519</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 229,266	\$ 213,193
Accrued liabilities	137,573	167,182
Other current liabilities	47,093	60,904
Total current liabilities	413,932	441,279
Long-term debt (Note 6)	714,402	983,290
Deferred tax liabilities (Note 11)	6,978	63,084
Other long-term liabilities	93,659	118,302
Total liabilities	1,228,971	1,605,955
Stockholders' equity:		
Preferred stock, \$.0001 par value; 5,000 shares authorized; no shares issued and outstanding	—	—
Common stock and additional paid-in capital, \$.0001 par value; 405,000 shares authorized; 123,001 and 126,322 shares issued and outstanding at December 29, 2018 and March 31, 2018, respectively	4,966,059	5,237,085
Accumulated other comprehensive loss, net of tax	(6,070)	(2,752)
Accumulated deficit	(382,669)	(458,769)
Total stockholders' equity	4,577,320	4,775,564
Total liabilities and stockholders' equity	<u>\$ 5,806,291</u>	<u>\$ 6,381,519</u>

See accompanying Notes to Condensed Consolidated Financial Statements.

**QORVO, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
(In thousands, except per share data)  
(Unaudited)

	Three Months Ended		Nine Months Ended	
	December 29, 2018	December 30, 2017	December 29, 2018	December 30, 2017
Revenue	\$ 832,330	\$ 845,739	\$ 2,409,443	\$ 2,308,153
Cost of goods sold	493,967	508,812	1,480,833	1,413,827
Gross profit	338,363	336,927	928,610	894,326
Operating expenses:				
Research and development	109,985	106,411	337,636	334,308
Selling, general and administrative	125,604	126,555	401,041	404,853
Other operating expense (Note 9)	21,617	23,641	37,514	53,110
Total operating expenses	257,206	256,607	776,191	792,271
Income from operations	81,157	80,320	152,419	102,055
Interest expense (Note 6)	(9,562)	(16,338)	(33,604)	(43,387)
Interest income	2,814	2,215	7,788	4,039
Other expense (Note 6)	(3,520)	(757)	(85,007)	(1,883)
Income before income taxes	70,889	65,440	41,596	60,824
Income tax (expense) benefit (Note 11)	(1,372)	(98,522)	30,012	(88,611)
Net income (loss)	\$ 69,517	\$ (33,082)	\$ 71,608	\$ (27,787)
Net income (loss) per share (Note 12):				
Basic	\$ 0.56	\$ (0.26)	\$ 0.57	\$ (0.22)
Diluted	\$ 0.55	\$ (0.26)	\$ 0.56	\$ (0.22)
Weighted average shares of common stock outstanding (Note 12):				
Basic	124,308	127,034	125,437	127,084
Diluted	126,842	127,034	128,360	127,084

See accompanying Notes to Condensed Consolidated Financial Statements.

**QORVO, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**  
(In thousands)  
(Unaudited)

	Three Months Ended		Nine Months Ended	
	December 29, 2018	December 30, 2017	December 29, 2018	December 30, 2017
Net income (loss)	\$ 69,517	\$ (33,082)	\$ 71,608	\$ (27,787)
Other comprehensive (loss) income:				
Unrealized (loss) gain on marketable securities, net of tax	(5)	57	85	156
Foreign currency translation adjustment, including intra-entity foreign currency transactions that are of a long-term investment nature	(1,079)	795	(3,448)	1,517
Reclassification adjustments, net of tax:				
Foreign currency gain included in net income (loss)	—	—	—	(581)
Amortization of pension actuarial loss	22	45	45	132
Other comprehensive (loss) income	(1,062)	897	(3,318)	1,224
Total comprehensive income (loss)	\$ 68,455	\$ (32,185)	\$ 68,290	\$ (26,563)

See accompanying Notes to Condensed Consolidated Financial Statements.

**QORVO, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(In thousands)  
(Unaudited)

	Nine Months Ended	
	December 29, 2018	December 30, 2017
<b>Cash flows from operating activities:</b>		
Net income (loss)	\$ 71,608	\$ (27,787)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation	143,008	132,879
Intangible assets amortization <i>(Note 4)</i>	399,200	406,375
Loss on debt extinguishment <i>(Note 6)</i>	84,004	—
Deferred income taxes	(58,216)	(36,657)
Foreign currency adjustments	(1,603)	3,244
Asset impairment <i>(Note 9)</i>	14,913	—
Stock-based compensation expense	58,874	58,299
Other, net	5,094	12,276
Changes in operating assets and liabilities:		
Accounts receivable, net	(74,844)	(91,051)
Inventories	7,474	6,974
Prepaid expenses and other current and non-current assets	14,914	26,130
Accounts payable and accrued liabilities	(9,810)	(338)
Income tax payable and receivable	(26,574)	94,566
Other liabilities	(5,023)	8,652
Net cash provided by operating activities	623,019	593,562
<b>Investing activities:</b>		
Purchase of property and equipment	(185,627)	(237,658)
Purchase of debt securities	(132,729)	—
Proceeds from sales and maturities of debt securities	133,132	—
Other investing activities	(20,238)	(8,713)
Net cash used in investing activities	(205,462)	(246,371)
<b>Financing activities:</b>		
Payment of debt <i>(Note 6)</i>	(977,498)	—
Proceeds from debt issuances <i>(Note 6)</i>	631,300	100,000
Repurchase of common stock, including transaction costs <i>(Note 7)</i>	(338,675)	(168,935)
Proceeds from the issuance of common stock	25,452	42,121
Tax withholding paid on behalf of employees for restricted stock units	(24,595)	(24,343)
Other financing activities	(7,510)	(1,903)
Net cash used in financing activities	(691,526)	(53,060)
Effect of exchange rate changes on cash	(2,369)	1,771
Net (decrease) increase in cash, cash equivalents and restricted cash	(276,338)	295,902
Cash, cash equivalents and restricted cash at the beginning of the period	926,402	545,779
Cash, cash equivalents and restricted cash at the end of the period	\$ 650,064	\$ 841,681
<b>Non-cash investing information:</b>		
Capital expenditure adjustments included in accounts payable and accrued liabilities	\$ 37,206	\$ 26,743

See accompanying Notes to Condensed Consolidated Financial Statements.

**QORVO, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
(Unaudited)

**1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Condensed Consolidated Financial Statements of Qorvo, Inc. and Subsidiaries (together, the "Company" or "Qorvo") have been prepared in conformity with accounting principles generally accepted in the United States ("U.S. GAAP"). The preparation of these financial statements requires management to make estimates and assumptions, which could differ materially from actual results. In addition, certain information or footnote disclosures normally included in financial statements prepared in accordance with U.S. GAAP have been condensed, or omitted, pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). In the opinion of management, the financial statements include all adjustments (which are of a normal and recurring nature) necessary for the fair presentation of the results of the interim periods presented. These Condensed Consolidated Financial Statements should be read in conjunction with the Company's audited consolidated financial statements and notes thereto included in Qorvo's Annual Report on Form 10-K for the fiscal year ended March 31, 2018.

The Condensed Consolidated Financial Statements include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation. Certain items in the fiscal 2018 financial statements have been reclassified to conform with the fiscal 2019 presentation.

The Company uses a 52- or 53-week fiscal year ending on the Saturday closest to March 31 of each year. The first fiscal quarter of each year ends on the Saturday closest to June 30, the second fiscal quarter of each year ends on the Saturday closest to September 30 and the third fiscal quarter of each year ends on the Saturday closest to December 31. Fiscal years 2019 and 2018 are 52-week years.

**2. RECENT ACCOUNTING PRONOUNCEMENTS**

The Company assesses recently issued accounting standards by the Financial Accounting Standards Board ("FASB") to determine the expected impacts on the Company's financial statements. The summary below describes impacts from newly issued standards as well as material updates to our previous assessments, if any, from Qorvo's Annual Report on Form 10-K for the fiscal year ended March 31, 2018.

In August 2018, the FASB issued Accounting Standards Update ("ASU") 2018-15, *"Intangibles-Goodwill and Other-Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract."* The new guidance clarifies the accounting for implementation costs in cloud computing arrangements. The Company intends to adopt the guidance, prospectively, in the fourth quarter of fiscal 2019 and does not expect any significant impact to the Company's Condensed Consolidated Financial Statements.

In January 2017, the FASB issued ASU 2017-01, *"Business Combinations (Topic 805): Clarifying the Definition of a Business."* The new guidance clarifies the definition of a business and provides further guidance for evaluating whether a transaction will be accounted for as an acquisition of an asset or a business. The new standard became effective for the Company in the first quarter of fiscal 2019. There was no impact to the Company's Condensed Consolidated Financial Statements.

In August 2016, the FASB issued ASU 2016-15, *"Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments (a consensus of the FASB's Emerging Issues Task Force)."* The new guidance addresses eight specific cash flow issues with the objective of reducing the existing diversity in practice. The new standard became effective for the Company in the first quarter of fiscal 2019. The Company's historical policies were consistent with the new standard, and therefore, there was no impact to the Company's Condensed Consolidated Financial Statements.

In February 2016, the FASB issued ASU 2016-02, *"Leases (Topic 842)."* The new guidance requires lessees to recognize a right-of-use asset and a lease liability for all leases with a term longer than 12 months, including those previously described as operating leases. Also, in July 2018, the FASB issued 2018-11, *"Leases (Topic 842): Targeted Improvements,"* to provide clarification on specific topics, including adoption guidance and practical expedients. The Company plans to adopt the new guidance utilizing the modified retrospective method and will recognize any cumulative effect adjustment in retained earnings at the beginning of the period of adoption. The Company also plans to elect the package of three practical expedients that permits the Company to maintain its historical conclusions about lease identification, lease classification and initial direct costs



**QORVO, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
(Unaudited)

for leases that exist at the date of adoption. Currently, the Company is assessing the other available practical expedients for potential adoption. The guidance will become effective for the Company in the first quarter of fiscal 2020. The Company expects the valuation of the right-of-use assets and lease liabilities, for leases previously described as operating leases, to be the present value of its forecasted future lease commitments, as determined by the standard. The Company is continuing to assess the overall impacts of the new standard, including the discount rate to be applied in these valuations.

In January 2016, the FASB issued ASU 2016-01, "Financial Instruments - Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities." The new guidance affects the accounting for equity investments, financial liabilities measured under the fair value option and presentation and disclosure requirements for financial instruments. In addition, the FASB clarified guidance related to the assessment of valuation allowances when recognizing deferred tax assets related to unrealized losses on available-for-sale debt securities. The new standard was adopted by the Company in the first quarter of fiscal 2019 and there was no material impact to the Company's Condensed Consolidated Financial Statements.

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers (Topic 606)," with several amendments subsequently issued. The new guidance provides an updated framework for revenue recognition, resulting in a single revenue model to be applied by reporting companies under U.S. GAAP. Under the new model, recognition of revenue occurs when a customer obtains control of promised goods or services in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Company adopted the standard in the first quarter of fiscal 2019 using the modified retrospective approach, under which the cumulative effect of adoption is recognized at the date of initial application. This standard did not have a material impact on the Company's Condensed Consolidated Financial Statements. The Company has implemented changes to its accounting policies, internal controls and disclosures to support the new standard; however, these changes were not material. See Note 8 for further disclosures resulting from the adoption of this new standard.

**3. INVENTORIES**

The components of inventories, net of reserves, are as follows (in thousands):

	December 29, 2018	March 31, 2018
Raw materials	\$ 113,660	\$ 110,389
Work in process	222,499	221,137
Finished goods	128,790	140,766
Total inventories	<u>\$ 464,949</u>	<u>\$ 472,292</u>

**4. INTANGIBLE ASSETS**

Total intangible assets decreased to \$463.4 million as of December 29, 2018, compared to \$860.3 million as of March 31, 2018. This decrease was primarily due to amortization expense for the three and nine months ended December 29, 2018 of \$132.5 million and \$399.2 million, respectively, primarily related to developed technology and customer relationships (which had net book values of \$324.2 million and \$127.3 million, respectively, as of December 29, 2018).

**5. INVESTMENTS AND FAIR VALUE MEASUREMENTS**

**Debt Securities**

The following is a summary of available-for-sale debt securities as of December 29, 2018 and March 31, 2018 (in thousands):

	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
<b>December 29, 2018</b>				
Auction rate securities	\$ 1,950	\$ —	\$ —	\$ 1,950
<b>March 31, 2018</b>				
Auction rate securities	<u>\$ 1,950</u>	<u>\$ —</u>	<u>\$ (107)</u>	<u>\$ 1,843</u>

**QORVO, INC. AND SUBSIDIARIES****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**

(Unaudited)

The estimated fair value of available-for-sale debt securities was based on the prevailing market values on December 29, 2018 and March 31, 2018. The Company determines the cost of an investment sold based on the specific identification method.

The expected maturity distribution of available-for-sale debt securities is as follows (in thousands):

	December 29, 2018		March 31, 2018	
	Cost	Estimated Fair Value	Cost	Estimated Fair Value
Due in less than one year	\$ —	\$ —	\$ —	\$ —
Due after ten years	1,950	1,950	1,950	1,843
Total	\$ 1,950	\$ 1,950	\$ 1,950	\$ 1,843

***Equity Investment Without a Readily Determinable Fair Value***

As of December 29, 2018, the Company has invested \$60.0 million to acquire preferred shares of a private limited company. This investment was determined to be an equity investment without a readily determinable fair value and is accounted for using the measurement alternative in accordance with ASU 2016-01. As of December 29, 2018, there was no impairment or observable price change for this investment. This investment is classified in "Long-term investments" in the Condensed Consolidated Balance Sheets.

***Fair Value of Financial Instruments***

Marketable securities are measured at fair value and recorded in "Cash and cash equivalents," "Other current assets" and "Long-term investments" in the Condensed Consolidated Balance Sheets, and the related unrealized gains and losses are included in "Accumulated other comprehensive loss," a component of stockholders' equity, net of tax (debt securities) and "Other income (expense)" on the Condensed Consolidated Statements of Operations (equity securities).

**QORVO, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
(Unaudited)

**Recurring Fair Value Measurements**

The fair value of the financial assets measured at fair value on a recurring basis was determined using the following levels of inputs as of December 29, 2018 and March 31, 2018 (in thousands):

	Total	Quoted Prices In Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
<b>December 29, 2018</b>			
<b>Assets</b>			
Auction rate securities (1)	1,950	—	1,950
Marketable equity securities	3,207	3,207	—
Invested funds in deferred compensation plan (2)	16,176	16,176	—
<b>Total assets measured at fair value</b>	<u>\$ 21,333</u>	<u>\$ 19,383</u>	<u>\$ 1,950</u>
<b>Liabilities</b>			
Deferred compensation plan obligation (2)	\$ 16,176	\$ 16,176	\$ —
<b>Total liabilities measured at fair value</b>	<u>\$ 16,176</u>	<u>\$ 16,176</u>	<u>\$ —</u>
<b>March 31, 2018</b>			
<b>Assets</b>			
Money market funds	\$ 9	\$ 9	\$ —
Auction rate securities (1)	1,843	—	1,843
Invested funds in deferred compensation plan (2)	14,284	14,284	—
<b>Total assets measured at fair value</b>	<u>\$ 16,136</u>	<u>\$ 14,293</u>	<u>\$ 1,843</u>
<b>Liabilities</b>			
Deferred compensation plan obligation (2)	\$ 14,284	\$ 14,284	\$ —
<b>Total liabilities measured at fair value</b>	<u>\$ 14,284</u>	<u>\$ 14,284</u>	<u>\$ —</u>

(1) The Company's Level 2 auction rate securities are debt instruments with interest rates that reset through periodic short-term auctions and are valued based on quoted prices for identical or similar instruments in markets that are not active.

(2) The Company's non-qualified deferred compensation plan provides eligible employees and members of the Board of Directors with the opportunity to defer a specified percentage of their cash compensation. The Company includes the assets deferred by the participants in the "Other current assets" and "Other non-current assets" line items of its Condensed Consolidated Balance Sheets and the Company's obligation to deliver the deferred compensation in the "Other current liabilities" and "Other long-term liabilities" line items of its Condensed Consolidated Balance Sheets.

As of December 29, 2018 and March 31, 2018, the Company did not have any Level 3 assets or liabilities.

**Other Fair Value Disclosures**

The carrying values of cash and cash equivalents, accounts receivable, accounts payable and other accrued liabilities approximate fair values because of the relatively short-term maturities of these instruments. See Note 6 for further disclosures related to the fair value of the Company's long-term debt.

**QORVO, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
(Unaudited)

## 6. DEBT

Long-term debt as of December 29, 2018 and March 31, 2018 is as follows (in thousands):

	December 29, 2018	March 31, 2018
6.75% Senior Notes due 2023	\$ —	\$ 444,464
7.00% Senior Notes due 2025	91,009	548,500
5.50% Senior Notes due 2026	630,000	—
Less unamortized premium and issuance costs	(6,607)	(9,674)
Total long-term debt	<u>\$ 714,402</u>	<u>\$ 983,290</u>

### *Senior Notes due 2023 and 2025*

On November 19, 2015, the Company issued \$450.0 million aggregate principal amount 6.75% senior notes due December 1, 2023 (the "2023 Notes") and \$550.0 million aggregate principal amount 7.00% senior notes due December 1, 2025 (the "2025 Notes"). The 2023 Notes were, and the 2025 Notes are, senior unsecured obligations of the Company and guaranteed, jointly and severally, by the Company and certain of its U.S. subsidiaries (the "Guarantors"). The 2023 Notes and the 2025 Notes were issued pursuant to an indenture dated as of November 19, 2015 (the "2015 Indenture"), by and among the Company, the Guarantors and MUFG Union Bank, N.A., as trustee. The 2015 Indenture contains customary events of default, including payment default, failure to provide certain notices and certain provisions related to bankruptcy events.

On June 15, 2018, the Company commenced cash tender offers for any and all of the 2023 Notes (the "2023 Tender Offer") and up to \$150.0 million of the 2025 Notes (the "2025 Tender Offer"). On June 29, 2018, the Company completed the purchase of \$429.2 million aggregate principal amount of the 2023 Notes at a price equal to 106.75% of the principal amount of the 2023 Notes purchased, plus accrued and unpaid interest. On July 19, 2018, the Company redeemed the remaining \$15.3 million principal amount of the 2023 Notes at a redemption price equal to 100.0% of the principal amount, plus a make-whole premium and accrued and unpaid interest.

On July 10, 2018, the Company increased the tender cap for the 2025 Tender Offer to \$300.0 million, and on July 16, 2018, the Company completed the purchase of \$300.0 million aggregate principal amount of the 2025 Notes at a price equal to 109.63% of the principal amount of the 2025 Notes purchased, plus accrued and unpaid interest.

On August 14, 2018, the Company commenced a cash tender offer for up to \$130.0 million of the 2025 Notes. On August 28, 2018, following an increase of the tender cap to \$140.0 million, the Company completed the purchase of \$136.4 million aggregate principal amount of the 2025 Notes at a price equal to 110.00% of the principal amount of the 2025 Notes purchased, plus accrued and unpaid interest.

On November 28, 2018 and December 11, 2018, the Company repurchased \$1.1 million and \$20.0 million, respectively, of the 2025 Notes, at prices equal to 107.25% and 107.63%, respectively, of the principal amount of the 2025 Notes purchased, plus accrued and unpaid interest. As of December 29, 2018, 2025 Notes with an aggregate principal amount of \$91.0 million remained outstanding.

During the three and nine months ended December 29, 2018, the Company recognized a loss on debt extinguishment of \$1.8 million and \$84.0 million, respectively, as "Other expense" in the Company's Condensed Consolidated Statements of Operations.

At any time prior to December 1, 2020, the Company may redeem all or part of the 2025 Notes, at a redemption price equal to their principal amount, plus a "make whole" premium as of the redemption date, and accrued and unpaid interest. In addition, at any time on or after December 1, 2020, the Company may redeem the 2025 Notes, in whole or in part, at the redemption prices specified in the 2015 Indenture, plus accrued and unpaid interest.

With respect to the 2023 Notes, interest was payable on June 1 and December 1 of each year at a rate of 6.75% per annum, and with respect to the 2025 Notes, interest is payable on June 1 and December 1 of each year at a rate of 7.00% per annum. Interest paid on the 2025 Notes during the three months ended December 29, 2018 was \$4.0 million, and interest paid on the

**QORVO, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
(Unaudited)

2023 Notes and the 2025 Notes during the nine months ended December 29, 2018 was \$45.5 million. Interest paid on the 2023 Notes and the 2025 Notes during the three and nine months ended December 30, 2017 was \$34.5 million and \$68.9 million, respectively.

**Senior Notes due 2026**

On July 16, 2018, the Company completed an offering of \$500.0 million aggregate principal amount 5.50% Senior Notes due 2026 (the "Initial 2026 Notes"). On August 28, 2018, the Company completed an offering of an additional \$130.0 million aggregate principal amount of such notes (the "Additional 2026 Notes", together with the "Initial 2026 Notes", the "2026 Notes"). The 2026 Notes pay interest semi-annually on January 15 and July 15 at a rate of 5.50% per annum. The 2026 Notes will mature on July 15, 2026, unless earlier redeemed in accordance with their terms. The 2026 Notes are senior unsecured obligations of the Company and are initially guaranteed, jointly and severally, by its Guarantors.

The Initial 2026 Notes were issued pursuant to an indenture, dated as of July 16, 2018 by and among the Company, the Guarantors and MUFG Union Bank, N.A., as trustee, and the Additional 2026 Notes were issued pursuant to a supplemental indenture, dated as of August 28, 2018 (together, the "2018 Indenture"). The 2018 Indenture contains customary events of default, including payment default, exchange default, failure to provide certain notices thereunder and certain provisions related to bankruptcy events and also contains customary negative covenants.

The 2026 Notes were sold in a private offering to certain institutions that then resold the 2026 Notes in the United States to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended (the "Securities Act"), and to certain non-U.S. persons in accordance with Regulation S under the Securities Act. The Company used a portion of the net proceeds of the 2026 Notes to fund the tender offers for the 2025 Notes and to pay related fees and expenses of the offering and will use the remaining net proceeds for general corporate purposes.

At any time prior to July 15, 2021, the Company may redeem all or part of the 2026 Notes, at a redemption price equal to their principal amount, plus a "make-whole" premium as of the redemption date, and accrued and unpaid interest. In addition, at any time prior to July 15, 2021, the Company may redeem up to 35% of the original aggregate principal amount of the 2026 Notes with the proceeds of one or more equity offerings, at a redemption price equal to 105.50% of the principal amount of the 2026 Notes redeemed, plus accrued and unpaid interest. Furthermore, at any time on or after July 15, 2021, the Company may redeem the 2026 Notes, in whole or in part, at the redemption prices specified in the 2018 Indenture, plus accrued and unpaid interest.

The 2026 Notes have not been registered under the Securities Act, or any state securities laws, and, unless so registered, may not be offered or sold in the United States absent registration or an applicable exemption from the registration requirements of the Securities Act and applicable state securities laws.

In connection with the offering of the 2026 Notes, the Company entered into a registration rights agreement, dated as of July 16, 2018, by and among the Company and the Guarantors, on the one hand, and Merrill Lynch, Pierce, Fenner & Smith Incorporated, as representative of the initial purchasers of the Initial 2026 Notes, on the other hand, and a substantially similar agreement, dated as of August 28, 2018 with respect to the Additional 2026 Notes (together, the "Registration Rights Agreements").

Under the Registration Rights Agreements, the Company and the Guarantors have agreed to use their commercially reasonable efforts to (i) file with the SEC a registration statement (the "Exchange Offer Registration Statement") relating to the registered exchange offer (the "Exchange Offer") to exchange the 2026 Notes for a new series of the Company's exchange notes having terms substantially identical in all material respects to, and in the same aggregate principal amount as, the 2026 Notes; (ii) cause the Exchange Offer Registration Statement to be declared effective by the SEC; and (iii) cause the Exchange Offer to be consummated no later than the 360th day after July 16, 2018 (in the case of the Initial 2026 Notes) or August 28, 2018 (in the case of the Additional 2026 Notes) (or if such 360th day is not a business day, the next succeeding business day). The Company and the Guarantors have also agreed to use their commercially reasonable efforts to cause the Exchange Offer Registration Statement to be effective continuously and keep the Exchange Offer open for a period of not less than the minimum period required under applicable federal and state securities laws to consummate the Exchange Offer.

Under certain circumstances, the Company and the Guarantors have agreed to use their commercially reasonable efforts to (i) file a shelf registration statement relating to the resale of the 2026 Notes as promptly as practicable, and (ii) cause the shelf

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registration statement to be declared effective by the SEC as promptly as practicable. The Company and the Guarantors have also agreed to use their commercially reasonable efforts to keep the shelf registration statement continuously effective until one year after its effective date (or such shorter period that will terminate when all the 2026 Notes covered thereby have been sold pursuant thereto).

If the Company fails to meet any of these targets, the annual interest rate on the 2026 Notes will increase by 0.25% during the 90-day period following the default, and will increase by an additional 0.25% for each subsequent 90-day period during which the default continues, up to a maximum additional interest rate of 1.00% per year. If the Company cures the default, the interest rate on the 2026 Notes will revert to the original rate.

***Credit Agreement***

On December 5, 2017, the Company and the Guarantors entered into a five-year unsecured senior credit facility pursuant to a credit agreement with Bank of America, N.A., as administrative agent (in such capacity, the "Administrative Agent"), swing line lender and L/C issuer, and a syndicate of lenders (the "Credit Agreement"). On June 5, 2018, the Company and the Guarantors entered into the First Amendment (the "First Amendment") to the Credit Agreement, and on December 17, 2018, the Company and the Guarantors entered into the Second Amendment (the "Second Amendment") to the Credit Agreement. The Credit Agreement includes a senior delayed draw term loan of up to \$400.0 million (the "Term Loan") and a \$300.0 million senior revolving line of credit (the "Revolving Facility", together with the Term Loan, the "Credit Facility"). On the closing date, \$100.0 million of the Term Loan was funded (and subsequently repaid in March 2018), with the remainder available, at the discretion of the Company, in up to two draws. The First Amendment, among other things, extended the delayed draw availability period from June 5, 2018 to January 3, 2019, and the Second Amendment, among other things, further extended such period to June 30, 2019. The Revolving Facility includes a \$25.0 million sublimit for the issuance of standby letters of credit and a \$10.0 million sublimit for swing line loans. The Company may request that the Credit Facility be increased by up to \$300.0 million, subject to securing additional funding commitments from the existing or new lenders. The Credit Facility is available to finance working capital, capital expenditures and other corporate purposes. Outstanding amounts are due in full on the maturity date of December 5, 2022 (with amounts borrowed under the swingline option due in full no later than ten business days after such loan is made), subject to scheduled amortization of the Term Loan principal as set forth in the Credit Agreement prior to the maturity date. During the nine months ended December 29, 2018, there were no borrowings under the Revolving Facility and the Company had no outstanding amounts under the Credit Facility as of December 29, 2018.

The Credit Agreement contains various conditions, covenants and representations with which the Company must be in compliance in order to borrow funds and to avoid an event of default. As of December 29, 2018, the Company was in compliance with these covenants.

***Fair Value of Long-Term Debt***

The Company's long-term debt is carried at amortized cost and is measured at fair value quarterly for disclosure purposes. The estimated fair value of the 2025 Notes as of December 29, 2018 and March 31, 2018 was \$97.8 million and \$596.5 million, respectively (compared to a carrying value of \$91.0 million and \$548.5 million, respectively). The estimated fair value of the 2026 Notes as of December 29, 2018 was \$601.7 million (compared to a carrying value of \$630.0 million). The Company considers its long-term debt to be Level 2 in the fair value hierarchy. Fair values are estimated based on quoted market prices for identical or similar instruments. The 2025 Notes and 2026 Notes trade over the counter, and their fair values were estimated based upon the value of their last trade at the end of the period.

***Interest Expense***

During the three months ended December 29, 2018, the Company recognized \$10.8 million of interest expense related to the 2025 Notes and the 2026 Notes, which was partially offset by \$1.9 million of interest capitalized to property and equipment. During the nine months ended December 29, 2018, the Company recognized \$38.8 million of interest expense related to the 2023 Notes, 2025 Notes and the 2026 Notes, which was partially offset by \$7.2 million of interest capitalized to property and equipment. During the three and nine months ended December 30, 2017, the Company recognized \$17.7 million and \$52.3 million, respectively, of interest expense related to the 2023 Notes and the 2025 Notes, which was partially offset by \$2.0 million and \$10.8 million, respectively, of interest capitalized to property and equipment.

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**7. STOCK REPURCHASES**

On May 23, 2018, the Company announced that its Board of Directors authorized a share repurchase program to repurchase up to \$1.0 billion of the Company's outstanding stock, which included approximately \$126.3 million authorized under a prior share repurchase program which was terminated concurrent with the new authorization. Under this program, share repurchases are made in accordance with applicable securities laws on the open market or in privately negotiated transactions. The extent to which the Company repurchases its shares, the number of shares and the timing of any repurchases depends on general market conditions, regulatory requirements, alternative investment opportunities and other considerations. The program does not require the Company to repurchase a minimum number of shares, does not have a fixed term, and may be modified, suspended or terminated at any time without prior notice.

During the three months ended December 29, 2018, the Company repurchased approximately 2.3 million shares of its common stock for approximately \$152.0 million under the current share repurchase program. During the nine months ended December 29, 2018, the Company repurchased approximately 4.6 million shares of its common stock for approximately \$338.7 million (which included 0.4 million shares of its common stock for approximately \$35.9 million under a prior share repurchase program). As of December 29, 2018, \$697.2 million remains available for repurchases under the current share repurchase program.

During the three and nine months ended December 30, 2017, the Company repurchased approximately 1.1 million shares and 2.3 million shares of its common stock for approximately \$80.0 million and \$168.9 million, respectively, under a prior share repurchase program.

**8. REVENUE**

*Adoption of Accounting Policy*

The Company adopted ASU 2014-09, "Revenue from Contracts with Customers (Topic 606)," in the first quarter of fiscal 2019 for open contracts using the modified retrospective approach through a cumulative adjustment to "Accumulated deficit" in the Condensed Consolidated Balance Sheet for the fiscal year beginning April 1, 2018. The impact from the cumulative-effect adjustment was immaterial (less than 1% of revenue in the quarter of adoption), related to over-time revenue recognition for customer-controlled inventory and point in time revenue recognition for intellectual property with a right to use. As the adoption of ASU 2014-09 did not have a material impact, comparative financial information for prior periods has not been restated and continues to be presented under the accounting standards in effect for the respective periods.

*Revenue Recognition Policy*

The Company generates revenue primarily from the sale of semiconductor products, either directly to a customer or to a distributor, or at completion of a consignment process. Revenue is recognized when control of the promised goods or services is transferred to the Company's customers, in an amount that reflects the consideration it expects to be entitled in exchange for those goods or services. A majority of the Company's revenue is recognized at a point in time, either on shipment or delivery of the product, depending on individual customer terms and conditions. Revenue from sales to the Company's distributors is recognized upon shipment of the product to the distributors (sell-in). Revenue is recognized from the Company's consignment programs at a point in time when the products are pulled from consignment inventory by the customer. Revenue recognized for products and services over-time is immaterial (less than 2% of overall revenue). The Company applies a five-step approach as defined in the new standard in determining the amount and timing of revenue to be recognized: (1) identifying the contract with a customer; (2) identifying the performance obligations in the contract; (3) determining the transaction price; (4) allocating the transaction price to the performance obligations in the contract; and (5) recognizing revenue when the corresponding performance obligation is satisfied.

Sales agreements are in place with certain customers and contain terms and conditions with respect to payment, delivery, warranty and supply, but typically do not require minimum purchase commitments. In the absence of a sales agreement, the Company's standard terms and conditions apply. The Company considers a customer's purchase order, which is governed by a sales agreement or the Company's standard terms and conditions, to be the contract with the customer.

The Company's pricing terms are negotiated independently, on a stand-alone basis. In determining the transaction price, the Company evaluates whether the price is subject to refund or adjustment to determine the net consideration to which the Company expects to be entitled. Variable consideration in the form of rebate programs is offered to certain customers,

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including distributors. A majority of these rebates are accrued and classified as a contra accounts receivable, and represent less than 5% of net revenue. The Company determines variable consideration by estimating the most likely amount of consideration it expects to receive from the customer. The Company's terms and conditions do not give its customers a right of return associated with the original sale of its products. However, the Company may authorize sales returns under certain circumstances, which include courtesy returns and like-kind exchanges. Sales returns are classified as a refund liability. The Company reduces revenue and records reserves for product returns and allowances, rebate programs and scrap allowance based on historical experience or specific identification depending on the contractual terms of the arrangement.

The Company's accounts receivable balance is from contracts with customers and represents the Company's unconditional right to receive consideration from its customers. Payments are due upon completion of the performance obligation and subsequent invoicing. Substantially all payments are collected within the Company's standard terms, which do not include any financing components. To date, there have been no material impairment losses on accounts receivable. Contract assets and contract liabilities recorded on the Condensed Consolidated Balance Sheets were immaterial in the periods presented.

The Company invoices customers upon shipment and recognizes revenues in accordance with delivery terms. As of December 29, 2018, the Company had \$34.7 million in remaining unsatisfied performance obligations with an original duration greater than one year, of which the majority is expected to be recognized as income over the next twelve months.

The Company includes shipping charges billed to customers in "Revenue" and includes the related shipping costs in "Cost of goods sold" in the Condensed Consolidated Statements of Operations. Taxes assessed by government authorities on revenue-producing transactions, including tariffs, value-added and excise taxes, are excluded from revenue in the Condensed Consolidated Statements of Operations.

The Company incurs commission expense that is incremental to obtaining contracts with customers. Sales commissions (which are recorded in the "Selling, general and administrative" expense line item in the Condensed Consolidated Statements of Operations) are expensed when incurred because such commissions are not owed until the performance obligation is satisfied, which coincides with the end of the contract term, and therefore no remaining period exists over which to amortize the commissions.

The following table presents the Company's revenue disaggregated by geography, based on the billing addresses of its customers (in thousands):

	Three Months Ended		Nine Months Ended	
	December 29, 2018	December 30, 2017	December 29, 2018	December 30, 2017
<b>Revenue:</b>				
China	\$ 474,844	\$ 446,721	\$ 1,390,226	\$ 1,226,494
Taiwan	127,104	157,725	443,110	417,795
United States	117,724	131,107	332,484	397,364
Europe	72,866	24,257	119,804	70,026
Other Asia	34,839	82,126	108,649	183,202
Other	4,953	3,803	15,170	13,272
<b>Total Revenue</b>	<b>\$ 832,330</b>	<b>\$ 845,739</b>	<b>\$ 2,409,443</b>	<b>\$ 2,308,153</b>

The Company also disaggregates revenue by operating segments (see Note 10).

## 9. RESTRUCTURING

In the third quarter of fiscal 2019, the Company initiated restructuring actions to reduce operating expenses and improve its manufacturing cost structure, including the phased closure of a wafer fabrication facility in Florida and idling production at a wafer fabrication facility in Texas. As a result of these actions, in the third quarter of fiscal 2019, the Company recorded impairment charges of \$14.9 million (to adjust the carrying value of certain of its property and equipment to reflect its fair value) and accelerated depreciation of \$3.1 million (to reflect changes in estimated useful lives of certain property and



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equipment), which were recorded in "Other operating expense" and "Cost of goods sold," respectively, in the Company's Condensed Consolidated Statements of Operations.

The fair value of the real property was derived based upon a market approach with substantial input from market participants, including brokers, investors, developers and appraisers. The fair value of the personal property was determined using a market approach based upon quoted market prices from auction data for comparable assets. Factors such as age, condition, capacity and manufacturer were considered to adjust the auction price and determine an orderly liquidation value of the personal property assets. The significant inputs related to valuing these assets are classified as Level 2 in the fair value measurement hierarchy.

Over the next four quarters, the Company expects to record additional charges associated with these restructuring actions, including \$60.0 million to \$70.0 million related to accelerated depreciation, \$10.0 million to \$20.0 million related to employee termination benefits and \$5.0 million to \$10.0 million related to other exit costs.

**10. OPERATING SEGMENT INFORMATION**

The Company's operating segments as of December 29, 2018 are Mobile Products (MP) and Infrastructure and Defense Products (IDP) based on the organizational structure and information reviewed by the Company's Chief Executive Officer, who is the Company's chief operating decision maker ("CODM"), and these segments are managed separately based on the end markets and applications they support. The CODM allocates resources and assesses the performance of each operating segment primarily based on non-GAAP income from operations.

MP is a leading global supplier of cellular radio frequency ("RF") and Wi-Fi solutions for a variety of mobile devices, including smartphones, notebook computers, wearables, tablets, and cellular-based applications for the Internet of Things ("IoT"). Mobile device manufacturers and mobile network operators are adopting new technologies to address the growing demand for data-intensive, increasingly cloud-based distributed applications and for mobile devices with smaller form factors, improved signal quality, less heat and longer talk and standby times. New wireless communications standards are being deployed, and new frequency bands are being added. Carrier aggregation, Multiple Input Multiple Output ("MIMO") and 5G are being implemented to support wider bandwidths, increase data rates and improve network performance. These trends increase the complexity of smartphones, require more RF content and place a premium on performance, integration, systems-level expertise, and product and technology portfolio breadth, all of which are MP strengths. MP offers a comprehensive product portfolio of bulk acoustic wave ("BAW") and surface acoustic wave ("SAW") filters, power amplifiers ("PAs"), low noise amplifiers ("LNAs"), switches, multimode multi-band PAs and transmit modules, RF power management integrated circuits, diversity receive modules, antenna switch modules, antenna tuning and control solutions, modules incorporating PAs and duplexers and modules incorporating switches, PAs and duplexers.

IDP is a leading global supplier of RF solutions with a diverse portfolio of solutions that "connect and protect," spanning communications and defense applications. These applications include high performance defense systems such as radar, electronic warfare and communication systems, Wi-Fi customer premises equipment for home and work, high speed connectivity in Long-Term Evolution ("LTE") and 5G base stations, cloud connectivity via data center communications and telecom transport, automotive connectivity and other IoT, including smart home solutions. IDP products include high power gallium arsenide ("GaAs") and gallium nitride ("GaN") PAs, LNAs, switches, Complementary Metal Oxide Semiconductor ("CMOS") system-on-a-chip solutions, premium BAW and SAW filter solutions and various multi-chip and hybrid assemblies.

The "All other" category includes operating expenses such as stock-based compensation, amortization of intangible assets, acquisition and integration related costs, restructuring costs, start-up costs, asset impairment and accelerated depreciation, (loss) gain on assets and other miscellaneous corporate overhead expenses that the Company does not allocate to its reportable segments because these expenses are not included in the segment operating performance measures evaluated by the Company's CODM. The CODM does not evaluate operating segments using discrete asset information. The Company's operating segments do not record intercompany revenue. The Company does not allocate gains and losses from equity investments, interest and other income, or taxes to operating segments. Except as discussed above regarding the "All other" category, the Company's accounting policies for segment reporting are the same as for the Company as a whole.

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The following tables present details of the Company's reportable segments and a reconciliation of the "All other" category (in thousands):

	Three Months Ended		Nine Months Ended	
	December 29, 2018	December 30, 2017	December 29, 2018	December 30, 2017
<b>Revenue:</b>				
MP	\$ 602,312	\$ 642,089	\$ 1,754,930	\$ 1,728,709
IDP	230,018	202,680	654,513	576,534
All other (1)	—	970	—	2,910
<b>Total revenue</b>	<b>\$ 832,330</b>	<b>\$ 845,739</b>	<b>\$ 2,409,443</b>	<b>\$ 2,308,153</b>
<b>Income (loss) from operations</b>				
MP	\$ 180,394	\$ 190,990	\$ 466,513	\$ 451,689
IDP	80,861	63,281	192,376	170,516
All other	(180,098)	(173,951)	(506,470)	(520,150)
<b>Income from operations</b>	<b>81,157</b>	<b>80,320</b>	<b>152,419</b>	<b>102,055</b>
Interest expense	(9,562)	(16,338)	(33,604)	(43,387)
Interest income	2,814	2,215	7,788	4,039
Other expense (Note 6)	(3,520)	(757)	(85,007)	(1,883)
<b>Income before income taxes</b>	<b>\$ 70,889</b>	<b>\$ 65,440</b>	<b>\$ 41,596</b>	<b>\$ 60,824</b>

(1) "All other" revenue relates to royalty income that is not allocated to MP or IDP for the three and nine months ended December 30, 2017. As a result of the adoption of ASU 2014-09, income related to a right-to-use license of intellectual property was recognized at a point-in-time and, therefore, was included as a transition adjustment impacting retained earnings.

	Three Months Ended		Nine Months Ended	
	December 29, 2018	December 30, 2017	December 29, 2018	December 30, 2017
<b>Reconciliation of "All other" category:</b>				
Stock-based compensation expense	\$ (18,624)	\$ (13,715)	\$ (58,874)	\$ (58,299)
Amortization of intangible assets	(132,227)	(135,743)	(398,518)	(406,068)
Acquisition and integration related costs	(3,700)	(2,723)	(5,880)	(8,113)
Restructuring costs	(1,510)	(8,958)	(4,822)	(16,942)
Start-up costs	(6,791)	(5,415)	(18,035)	(19,168)
Asset impairment and accelerated depreciation	(17,994)	—	(17,994)	—
Other (including (loss) gain on assets and other miscellaneous corporate overhead)	748	(7,397)	(2,347)	(11,560)
<b>Loss from operations for "All other"</b>	<b>\$ (180,098)</b>	<b>\$ (173,951)</b>	<b>\$ (506,470)</b>	<b>\$ (520,150)</b>

**11. INCOME TAXES**

**U.S. Tax Reform**

On December 22, 2017, the Tax Cuts and Jobs Act ("Tax Act") was enacted into law. This new law included significant changes to the U.S. corporate income tax system, including a permanent reduction in the corporate income tax rate from 35% to 21%, full expensing for investments in new and used qualified property, limitations on the deductibility of interest expense and executive compensation and the transition of U.S. international taxation from a worldwide tax system to a territorial tax system.

In December 2017, the SEC staff issued Staff Accounting Bulletin 118 ("SAB 118"), which provides guidance on accounting for the tax effects of the Tax Act. SAB 118 provides a measurement period that should not extend beyond one year from the Tax Act enactment date for companies to complete the accounting under ASC Topic 740 - *Income Taxes* ("ASC 740"). During

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the third quarter of fiscal 2019, the Company completed its analysis within the measurement period provided by SAB 118, and the adjustments during this measurement period have been included in net earnings from operations as an adjustment to income tax expense.

As described in Note 12 *Income Taxes* in our 2018 Annual Report on Form 10-K, the Company was able to reasonably estimate certain effects of the Tax Act provisions that became effective during fiscal 2018 and, therefore, recorded provisional amounts, including a \$116.4 million expense related to the one-time transition tax on certain unrepatriated earnings of foreign subsidiaries (the "Transitional Repatriation Tax") and a \$39.1 million benefit from the remeasurement of U.S. deferred tax assets and liabilities. For the nine months ended December 29, 2018, the Company made a \$17.7 million SAB 118 measurement period adjustment consisting of a \$2.6 million reduction in the tax expense related to the previously recorded provisional amount for the Transitional Repatriation Tax and a \$15.1 million increase in U.S. deferred tax assets.

The Global Intangible Low-Taxed Income ("GILTI") provisions create a new requirement that certain income earned by foreign subsidiaries be currently included in the gross income of the U.S. shareholder. No adjustments related to the potential GILTI impact on deferred taxes have been recorded as the Company made its accounting policy choice during the third quarter of fiscal 2019 to treat taxes due on future U.S. inclusions in taxable income related to GILTI as a current-period expense when incurred (the "period cost method").

The GILTI and executive compensation limitation provisions in the Tax Act became effective for the Company in fiscal 2019. Provisional estimates for the current year impact of these new provisions are included in the calculation of the fiscal 2019 annual effective tax rate applied to year-to-date income (loss) before taxes.

***Income Tax Expense***

The Company's provision for income taxes for the three and nine months ended December 29, 2018 and December 30, 2017 was calculated by applying an estimate of the annual effective tax rate for the full fiscal year to "ordinary" income or loss (pre-tax income or loss excluding unusual or infrequently occurring discrete items) to year-to-date income (loss) to determine the amounts for the three and nine months ended December 29, 2018 and December 30, 2017.

The Company's income tax expense was \$1.4 million and income tax benefit was \$30.0 million for the three and nine months ended December 29, 2018, respectively, and the Company's income tax expense was \$98.5 million and \$88.6 million for the three and nine months ended December 30, 2017, respectively. The Company's effective tax rate was 1.9% and (72.2)% for the three and nine months ended December 29, 2018, respectively, and 150.6% and 145.7% for the three and nine months ended December 30, 2017, respectively.

The Company's effective tax rate for the three and nine months ended December 29, 2018 differed from the statutory rate primarily due to tax rate differences in foreign jurisdictions, foreign permanent differences, state income taxes, domestic tax credits generated, changes in unrecognized tax benefits, GILTI, a discrete tax benefit for changes in provisional estimates related to the Transitional Repatriation Tax, and for the nine months only, discrete tax benefits of \$8.3 million resulting from a retroactive incentive allowing previously non-deductible payments to be amortized and the SAB 118 increase in U.S. deferred tax assets. The Company's effective tax rate for the three and nine months ended December 30, 2017 differed from the statutory rate primarily due to a net discrete provisional tax expense of \$95.9 million resulting from the enactment of the Tax Act, tax rate differences in foreign jurisdictions, foreign permanent differences, state income taxes, domestic tax credits generated, changes in unrecognized tax benefits, a discrete tax benefit for excess stock compensation deductions in accordance with ASU 2016-09, "*Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting*" (adopted in the first quarter of fiscal 2018), and for the nine months only, a discrete tax expense associated with intra-entity transfers in accordance with ASU 2016-16, "*Income Taxes (Topic 740), Intra-Entity Transfers of Assets Other Than Inventory*" (adopted in the first quarter of fiscal 2018).

**Deferred Taxes**

A valuation allowance remained against certain domestic and foreign net deferred tax assets as it is more likely than not that the related deferred tax assets will not be realized.

The Company has domestic federal and state tax net operating loss ("NOL") and credit carry-forwards that expire in fiscal years 2019 to 2038 if unused. The use of the NOLs that were acquired in prior year acquisitions is subject to certain annual limitations under Internal Revenue Code Section 382 and similar state income tax provisions.

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**Uncertain Tax Positions**

The Company's gross unrecognized tax benefits decreased from \$122.8 million as of the end of fiscal 2018 to \$116.4 million as of the end of the third quarter of fiscal 2019, primarily due to lapses of statutes of limitations and the impact of the Tax Act reduction in tax rates.

**12. NET INCOME (LOSS) PER SHARE**

The following table sets forth the computation of basic and diluted net income (loss) per share (in thousands, except per share data):

	Three Months Ended		Nine Months Ended	
	December 29, 2018	December 30, 2017	December 29, 2018	December 30, 2017
<b>Numerator:</b>				
Numerator for basic and diluted net income (loss) per share — net income (loss) available to common stockholders	\$ 69,517	\$ (33,082)	\$ 71,608	\$ (27,787)
<b>Denominator:</b>				
Denominator for basic net income (loss) per share — weighted average shares	124,308	127,034	125,437	127,084
<b>Effect of dilutive securities:</b>				
Stock-based awards	2,534	—	2,923	—
Denominator for diluted net income (loss) per share — adjusted weighted average shares and assumed conversions	126,842	127,034	128,360	127,084
Basic net income (loss) per share	\$ 0.56	\$ (0.26)	\$ 0.57	\$ (0.22)
Diluted net income (loss) per share	\$ 0.55	\$ (0.26)	\$ 0.56	\$ (0.22)

In the computation of diluted net income per share for the three and nine months ended December 29, 2018, outstanding options to purchase 0.5 million shares and 0.3 million shares, respectively, were excluded because the effect of their inclusion would have been anti-dilutive. In the computation of diluted net loss per share for the three and nine months ended December 30, 2017, outstanding options to purchase 3.4 million shares and 3.8 million shares, respectively, were excluded because the effect of their inclusion would have been anti-dilutive.

**13. CONDENSED CONSOLIDATING FINANCIAL INFORMATION**

In accordance with the applicable indentures governing the 2025 Notes and 2026 Notes, the Company's obligations under the 2025 Notes and 2026 Notes are fully and unconditionally guaranteed on a joint and several basis by each Guarantor, each of which is 100% owned, directly or indirectly, by Qorvo, Inc. (the "Parent Company"). A Guarantor can be released in certain customary circumstances.

The following presents the condensed consolidating financial information separately for:

- (i) Parent Company, the issuer of the guaranteed obligations;
- (ii) Guarantor subsidiaries, on a combined basis, as specified in the applicable indenture;
- (iii) Non-guarantor subsidiaries, on a combined basis;
- (iv) Consolidating entries, eliminations and reclassifications representing adjustments to (a) eliminate intercompany transactions between or among the Parent Company, the Guarantor subsidiaries and the non-guarantor subsidiaries, (b) eliminate intercompany profit in inventory, (c) eliminate the investments in the Company's subsidiaries and (d) record consolidating entries; and
- (v) The Company, on a consolidated basis.

Each entity in the condensed consolidating financial information follows the same accounting policies as described in the consolidated financial statements, except for the use by the Parent Company and Guarantor subsidiaries of the equity method of accounting to reflect ownership interests in subsidiaries that are eliminated upon consolidation. The financial information may

**QORVO, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
(Unaudited)

not necessarily be indicative of the financial position, results of operations, comprehensive (loss) income, and cash flows, had the Parent Company, Guarantor or non-guarantor subsidiaries operated as independent entities.

**Condensed Consolidating Balance Sheet**

**December 29, 2018**

<i>(in thousands)</i>	<u>Parent Company</u>	<u>Guarantor Subsidiaries</u>	<u>Non-Guarantor Subsidiaries</u>	<u>Eliminations and Reclassifications</u>	<u>Consolidated</u>
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ —	\$ 43,695	\$ 606,016	\$ —	\$ 649,711
Accounts receivable, less allowance	—	64,962	355,941	—	420,903
Intercompany accounts and notes receivable	—	368,130	70,924	(439,054)	—
Inventories	—	226,781	259,394	(21,226)	464,949
Prepaid expenses	—	18,245	5,716	—	23,961
Other receivables	—	4,730	17,169	—	21,899
Other current assets	—	30,618	4,556	(1,061)	34,113
Total current assets	—	757,161	1,319,716	(461,341)	1,615,536
Property and equipment, net	—	1,114,250	276,093	7,246	1,397,589
Goodwill	—	1,122,629	1,051,260	—	2,173,889
Intangible assets, net	—	245,049	218,310	—	463,359
Long-term investments	—	4,970	85,726	—	90,696
Long-term intercompany accounts and notes receivable	—	1,135,377	124,264	(1,259,641)	—
Investment in subsidiaries	6,352,350	2,460,118	—	(8,812,468)	—
Other non-current assets	122,683	33,278	30,065	(120,804)	65,222
Total assets	<u>\$ 6,475,033</u>	<u>\$ 6,872,832</u>	<u>\$ 3,105,434</u>	<u>\$ (10,647,008)</u>	<u>\$ 5,806,291</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>					
Current liabilities:					
Accounts payable	\$ —	\$ 96,252	\$ 133,014	\$ —	\$ 229,266
Intercompany accounts and notes payable	—	70,924	368,130	(439,054)	—
Accrued liabilities	16,505	69,780	50,546	742	137,573
Other current liabilities	—	—	48,154	(1,061)	47,093
Total current liabilities	16,505	236,956	599,844	(439,373)	413,932
Long-term debt	714,402	—	—	—	714,402
Deferred tax liabilities	—	39,235	939	(33,196)	6,978
Long-term intercompany accounts and notes payable	1,166,806	92,835	—	(1,259,641)	—
Other long-term liabilities	—	48,607	45,052	—	93,659
Total liabilities	1,897,713	417,633	645,835	(1,732,210)	1,228,971
Total stockholders' equity	4,577,320	6,455,199	2,459,599	(8,914,798)	4,577,320
Total liabilities and stockholders' equity	<u>\$ 6,475,033</u>	<u>\$ 6,872,832</u>	<u>\$ 3,105,434</u>	<u>\$ (10,647,008)</u>	<u>\$ 5,806,291</u>

**QORVO, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
(Unaudited)

**Condensed Consolidating Balance Sheet**  
**March 31, 2018**

<i>(in thousands)</i>	<b>Parent Company</b>	<b>Guarantor Subsidiaries</b>	<b>Non-Guarantor Subsidiaries</b>	<b>Eliminations and Reclassifications</b>	<b>Consolidated</b>
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ —	\$ 629,314	\$ 296,723	\$ —	\$ 926,037
Accounts receivable, less allowance	—	76,863	269,094	—	345,957
Intercompany accounts and notes receivable	—	272,409	53,363	(325,772)	—
Inventories	—	154,651	339,434	(21,793)	472,292
Prepaid expenses	—	17,530	6,379	—	23,909
Other receivables	—	5,959	38,836	—	44,795
Other current assets	—	29,627	1,188	—	30,815
Total current assets	—	1,186,353	1,005,017	(347,565)	1,843,805
Property and equipment, net	—	1,085,255	289,146	(289)	1,374,112
Goodwill	—	1,121,941	1,051,948	—	2,173,889
Intangible assets, net	—	395,317	465,019	—	860,336
Long-term investments	—	1,847	61,918	—	63,765
Long-term intercompany accounts and notes receivable	—	543,127	116,494	(659,621)	—
Investment in subsidiaries	6,198,885	2,388,222	—	(8,587,107)	—
Other non-current assets	72,122	31,011	32,516	(70,037)	65,612
Total assets	<u>\$ 6,271,007</u>	<u>\$ 6,753,073</u>	<u>\$ 3,022,058</u>	<u>\$ (9,664,619)</u>	<u>\$ 6,381,519</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>					
Current liabilities:					
Accounts payable	\$ —	\$ 78,278	\$ 134,915	\$ —	\$ 213,193
Intercompany accounts and notes payable	—	53,363	272,409	(325,772)	—
Accrued liabilities	23,102	101,286	43,163	(369)	167,182
Other current liabilities	—	3,882	57,022	—	60,904
Total current liabilities	23,102	236,809	507,509	(326,141)	441,279
Long-term debt	983,290	—	—	—	983,290
Deferred tax liabilities	—	83,449	16,366	(36,731)	63,084
Long-term intercompany accounts and notes payable	489,051	116,494	54,076	(659,621)	—
Other long-term liabilities	—	62,417	55,885	—	118,302
Total liabilities	1,495,443	499,169	633,836	(1,022,493)	1,605,955
Total stockholders' equity	4,775,564	6,253,904	2,388,222	(8,642,126)	4,775,564
Total liabilities and stockholders' equity	<u>\$ 6,271,007</u>	<u>\$ 6,753,073</u>	<u>\$ 3,022,058</u>	<u>\$ (9,664,619)</u>	<u>\$ 6,381,519</u>

**QORVO, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
(Unaudited)

**Condensed Consolidating Statement of Income and Comprehensive Income**  
**Three Months Ended December 29, 2018**

<i>(in thousands)</i>	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations and Reclassifications	Consolidated
Revenue	\$ —	\$ 271,671	\$ 762,484	\$ (201,825)	\$ 832,330
Cost of goods sold	—	225,156	447,084	(178,273)	493,967
Gross profit	—	46,515	315,400	(23,552)	338,363
Operating expenses:					
Research and development	8,122	10,218	94,114	(2,469)	109,985
Selling, general and administrative	10,327	53,131	82,581	(20,435)	125,604
Other operating expense	173	21,477	499	(532)	21,617
Total operating expenses	18,622	84,826	177,194	(23,436)	257,206
Income (loss) from operations	(18,622)	(38,311)	138,206	(116)	81,157
Interest expense	(9,235)	(516)	(206)	395	(9,562)
Interest income	—	269	2,941	(396)	2,814
Other (expense) income	(1,852)	(2,566)	898	—	(3,520)
Income (loss) before income taxes	(29,709)	(41,124)	141,839	(117)	70,889
Income tax (expense) benefit	6,147	(23,051)	15,532	—	(1,372)
Income in subsidiaries	93,079	157,371	—	(250,450)	—
Net income	\$ 69,517	\$ 93,196	\$ 157,371	\$ (250,567)	\$ 69,517
Comprehensive income	\$ 68,455	\$ 92,520	\$ 156,974	\$ (249,494)	\$ 68,455

**Condensed Consolidating Statement of Income and Comprehensive (Loss) Income**  
**Three Months Ended December 30, 2017**

<i>(in thousands)</i>	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations and Reclassifications	Consolidated
Revenue	\$ —	\$ 301,077	\$ 751,995	\$ (207,333)	\$ 845,739
Cost of goods sold	—	212,574	473,330	(177,092)	508,812
Gross profit	—	88,503	278,665	(30,241)	336,927
Operating expenses:					
Research and development	7,101	6,842	97,842	(5,374)	106,411
Selling, general and administrative	6,381	57,166	88,016	(25,008)	126,555
Other operating expense	234	15,799	7,466	142	23,641
Total operating expenses	13,716	79,807	193,324	(30,240)	256,607
Income (loss) from operations	(13,716)	8,696	85,341	(1)	80,320
Interest expense	(16,001)	(557)	(393)	613	(16,338)
Interest income	—	614	2,214	(613)	2,215
Other expense	—	(549)	(208)	—	(757)
Income (loss) before income taxes	(29,717)	8,204	86,954	(1)	65,440
Income tax expense	(30,116)	(59,974)	(8,432)	—	(98,522)
Income in subsidiaries	26,751	78,522	—	(105,273)	—
Net (loss) income	\$ (33,082)	\$ 26,752	\$ 78,522	\$ (105,274)	\$ (33,082)
Comprehensive (loss) income	\$ (32,185)	\$ 28,630	\$ 82,312	\$ (110,942)	\$ (32,185)

**QORVO, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
(Unaudited)

**Condensed Consolidating Statement of Income and Comprehensive (Loss) Income**  
**Nine Months Ended December 29, 2018**

<i>(in thousands)</i>	<b>Parent Company</b>	<b>Guarantor Subsidiaries</b>	<b>Non-Guarantor Subsidiaries</b>	<b>Eliminations and Reclassifications</b>	<b>Consolidated</b>
Revenue	\$ —	\$ 740,241	\$ 2,214,289	\$ (545,087)	\$ 2,409,443
Cost of goods sold	—	622,688	1,333,037	(474,892)	1,480,833
Gross profit	—	117,553	881,252	(70,195)	928,610
Operating expenses:					
Research and development	21,433	20,837	300,233	(4,867)	337,636
Selling, general and administrative	36,998	170,011	260,359	(66,327)	401,041
Other operating expense	442	27,225	10,011	(164)	37,514
Total operating expenses	58,873	218,073	570,603	(71,358)	776,191
Income (loss) from operations	(58,873)	(100,520)	310,649	1,163	152,419
Interest expense	(32,677)	(1,575)	(527)	1,175	(33,604)
Interest income	—	3,152	5,811	(1,175)	7,788
Other (expense) income	(84,004)	(1,440)	437	—	(85,007)
Income (loss) before income taxes	(175,554)	(100,383)	316,370	1,163	41,596
Income tax benefit (expense)	43,521	(26,717)	13,208	—	30,012
Income in subsidiaries	203,641	329,578	—	(533,219)	—
Net income	\$ 71,608	\$ 202,478	\$ 329,578	\$ (532,056)	\$ 71,608
Comprehensive income	\$ 68,290	\$ 201,891	\$ 326,701	\$ (528,592)	\$ 68,290

**Condensed Consolidating Statement of Income and Comprehensive (Loss) Income**  
**Nine Months Ended December 30, 2017**

<i>(in thousands)</i>	<b>Parent Company</b>	<b>Guarantor Subsidiaries</b>	<b>Non-Guarantor Subsidiaries</b>	<b>Eliminations and Reclassifications</b>	<b>Consolidated</b>
Revenue	\$ —	\$ 829,625	\$ 2,108,231	\$ (629,703)	\$ 2,308,153
Cost of goods sold	—	592,928	1,346,505	(525,606)	1,413,827
Gross profit	—	236,697	761,726	(104,097)	894,326
Operating expenses:					
Research and development	20,600	34,728	292,926	(13,946)	334,308
Selling, general and administrative	37,252	190,336	268,072	(90,807)	404,853
Other operating expense	448	39,659	12,764	239	53,110
Total operating expenses	58,300	264,723	573,762	(104,514)	792,271
Income (loss) from operations	(58,300)	(28,026)	187,964	417	102,055
Interest expense	(42,367)	(1,689)	(1,161)	1,830	(43,387)
Interest income	—	1,439	4,430	(1,830)	4,039
Other (expense) income	—	207	(2,090)	—	(1,883)
Income (loss) before income taxes	(100,667)	(28,069)	189,143	417	60,824
Income tax (expense) benefit	5,657	(76,149)	(18,119)	—	(88,611)
Income in subsidiaries	67,223	171,024	—	(238,247)	—
Net (loss) income	\$ (27,787)	\$ 66,806	\$ 171,024	\$ (237,830)	\$ (27,787)
Comprehensive (loss) income	\$ (26,563)	\$ 68,783	\$ 172,528	\$ (241,311)	\$ (26,563)



**QORVO, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
(Unaudited)

**Condensed Consolidating Statement of Cash Flows**  
**Nine Months Ended December 29, 2018**

<i>(in thousands)</i>	<b>Parent Company</b>	<b>Guarantor Subsidiaries</b>	<b>Non-Guarantor Subsidiaries</b>	<b>Eliminations and Reclassifications</b>	<b>Consolidated</b>
Net cash provided by (used in) operating activities	\$ 691,479	\$ (688,262)	\$ 619,802	\$ —	\$ 623,019
<b>Investing activities:</b>					
Purchase of property and equipment	—	(155,006)	(30,621)	—	(185,627)
Purchase of debt securities	—	(132,729)	—	—	(132,729)
Proceeds from sales and maturities of debt securities	—	133,132	—	—	133,132
Other investing activities	—	(3,829)	(16,409)	—	(20,238)
Net transactions with related parties	—	260,047	—	(260,047)	—
Net cash (used in) provided by investing activities	—	101,615	(47,030)	(260,047)	(205,462)
<b>Financing activities:</b>					
Payment of debt	(977,498)	—	—	—	(977,498)
Proceeds from debt issuances	631,300	—	—	—	631,300
Repurchase of common stock, including transaction costs	(338,675)	—	—	—	(338,675)
Proceeds from the issuance of common stock	25,452	—	—	—	25,452
Tax withholding paid on behalf of employees for restricted stock units	(24,595)	—	—	—	(24,595)
Other financing activities	(7,463)	—	(47)	—	(7,510)
Net transactions with related parties	—	1,028	(261,075)	260,047	—
Net cash (used in) provided by financing activities	(691,479)	1,028	(261,122)	260,047	(691,526)
Effect of exchange rate changes on cash	—	—	(2,369)	—	(2,369)
Net (decrease) increase in cash, cash equivalents and restricted cash	—	(585,619)	309,281	—	(276,338)
Cash, cash equivalents and restricted cash at the beginning of the period	—	629,314	297,088	—	926,402
Cash, cash equivalents and restricted cash at the end of the period	\$ —	\$ 43,695	\$ 606,369	\$ —	\$ 650,064

**QORVO, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
(Unaudited)

<b>Condensed Consolidating Statement of Cash Flows</b>					
<b>Nine Months Ended December 30, 2017</b>					
<i>(in thousands)</i>	<b>Parent Company</b>	<b>Guarantor Subsidiaries</b>	<b>Non-Guarantor Subsidiaries</b>	<b>Eliminations and Reclassifications</b>	<b>Consolidated</b>
Net cash provided by operating activities	\$ 53,060	\$ 175,303	\$ 365,199	\$ —	\$ 593,562
<b>Investing activities:</b>					
Purchase of property and equipment	—	(198,517)	(39,141)	—	(237,658)
Other investing activities	—	21,534	(30,247)	—	(8,713)
Net transactions with related parties	—	24,100	(24,100)	—	—
Net cash used in investing activities	—	(152,883)	(93,488)	—	(246,371)
<b>Financing activities:</b>					
Proceeds from debt issuances	100,000	—	—	—	100,000
Repurchase of common stock, including transaction costs	(168,935)	—	—	—	(168,935)
Proceeds from the issuance of common stock	42,121	—	—	—	42,121
Tax withholding paid on behalf of employees for restricted stock units	(24,343)	—	—	—	(24,343)
Other financing activities	(1,903)	—	—	—	(1,903)
Net transactions with related parties	—	1,031	(1,031)	—	—
Net cash (used in) provided by financing activities	(53,060)	1,031	(1,031)	—	(53,060)
Effect of exchange rate changes on cash	—	—	1,771	—	1,771
Net increase in cash, cash equivalents and restricted cash	—	23,451	272,451	—	295,902
Cash, cash equivalents and restricted cash at the beginning of the period	—	226,186	319,593	—	545,779
Cash, cash equivalents and restricted cash at the end of the period	\$ —	\$ 249,637	\$ 592,044	\$ —	\$ 841,681

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

### SAFE HARBOR FOR FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), that relate to our plans, objectives, estimates and goals. Statements expressing expectations regarding our future and projections relating to products, sales, revenues and earnings are typical of such statements and are made under the Private Securities Litigation Reform Act of 1995. Words such as "expect," "anticipate," "intend," "plan," "believe," "estimate," "forecast," and "predict," and variations of such words and similar expressions, identify such forward-looking statements. Our business is subject to numerous risks and uncertainties, including, but not limited to the factors listed below:

- business, political, and macroeconomic changes, including trade disputes and downturns in the semiconductor industry and the overall global economy;
- our ability to introduce new products that are competitive and can be manufactured at lower costs or that command higher prices based on superior performance;
- our ability to forecast our customers' demand for our products accurately;
- our customers' and distributors' ability to manage the inventory they hold and accurately forecast their demand for our products;
- our ability to successfully integrate acquired businesses, operations, product technologies and personnel as well as achieve expected synergies;
- our ability to achieve cost savings and improve yields and margins on our new and existing products;
- our ability to utilize our capacity efficiently, or to acquire or source additional capacity, in response to customer demand;
- our ability to continue to improve our product designs, develop new products, and achieve design wins as our industry's product life cycles are short and our customers' requirements change rapidly;
- our dependence on a limited number of customers for a substantial portion of our revenue;
- our reliance on the U.S. government and on U.S. government sponsored programs (principally for defense and aerospace applications) for a portion of our revenue;
- our ability to bring new products to market in response to market shifts and to use technological innovation to shorten time-to-market for our products;
- our ability to efficiently and successfully operate our wafer fabrication, assembly and test and tape and reel facilities;
- variability in manufacturing yields and product quality;
- variability in raw material costs and availability of raw materials;
- our dependence on third parties, including distributors, wafer foundries, wafer starting material suppliers, passive component manufacturers, assembly and packaging suppliers and test and tape and reel suppliers;
- our ability to manage platform provider and customer relationships;
- our ability to procure, commercialize and enforce intellectual property rights ("IPR") and to operate our business without infringing on the unlicensed IPR of others;
- the risks associated with security breaches and other disruptions or events, which could compromise our or our customers' proprietary information and expose us to liability and could cause our business and reputation to suffer;

- the possibility that we may be subject to theft, loss or misuse of personal data by or about our employees, customers or other third parties;
- currency fluctuations, tariffs, trade barriers, tax and export license requirements and health and security issues associated with our foreign operations;
- the impact of environmental, health and safety regulations and climate change;
- the impact of changes in generally accepted accounting principles and in tax laws or the interpretation of such tax laws, including the U.S. Tax Cuts and Jobs Act (the "Tax Act");
- the impact of the Organisation for Economic Co-operation and Development Base Erosion and Profit Shifting initiative on tax policy and enacted laws in the countries in which we operate;
- our ability to attract and retain skilled personnel and develop leaders for key business units and functions; and
- the possibility that future acquisitions may dilute our stockholders' ownership and cause us to incur debt and assume contingent liabilities or adversely affect our results of operations.

These and other risks and uncertainties, which are described in more detail in our most recent Annual Report on Form 10-K and in other reports and statements that we file with the SEC, could cause the actual results and developments to be materially different from those expressed or implied by any of these forward-looking statements. Forward-looking statements speak only as of the date they were made, and we undertake no obligation to update or revise such statements, except as required by the federal securities laws.

## OVERVIEW

### *Company*

The following Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is intended to help the reader understand the consolidated results of operations and financial condition of Qorvo. MD&A is provided as a supplement to, and should be read in conjunction with, our Condensed Consolidated Financial Statements and accompanying Notes to Condensed Consolidated Financial Statements.

We are a product and technology leader at the forefront of the growing global demand for always-on broadband connectivity. We combine a broad portfolio of radio frequency ("RF") solutions, highly differentiated semiconductor technologies, deep systems-level expertise and scale manufacturing to supply a diverse group of customers in expanding markets, including smartphones and other mobile devices, defense and aerospace, Wi-Fi customer premises equipment, cellular base stations, optical networks, automotive connectivity and smart home applications. Within these markets, our products enable a broad range of leading-edge applications — from very-high-power wired and wireless infrastructure solutions to ultra-low-power smart home solutions. Our products and technologies help transform how people around the world access their data, transact commerce, and interact with their communities.

We employ more than 8,300 people. We have world-class manufacturing facilities, and our fabrication facility in Richardson, Texas, is a U.S. Department of Defense accredited 'Trusted Source' (Category 1A) for gallium arsenide ("GaAs"), gallium nitride ("GaN") and bulk acoustic wave ("BAW") technologies. Our design and manufacturing expertise covers many semiconductor process technologies, which we source both internally and through external suppliers. Our primary wafer fabrication facilities are in Florida, North Carolina, Oregon and Texas, and our primary assembly and test facilities are in China, Costa Rica, Germany and Texas. We also operate design, sales and manufacturing facilities throughout Asia, Europe and North America.

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

- *Mobile Products (MP)* - MP is a leading global supplier of cellular RF and Wi-Fi solutions for a variety of mobile devices, including smartphones, notebook computers, wearables, tablets and cellular-based applications for the Internet of Things ("IoT"). Mobile device manufacturers and mobile network operators are adopting new technologies to address the growing demand for data-intensive, increasingly cloud-based distributed applications and for mobile devices with smaller form

factors, improved signal quality, less heat and longer talk and standby times. New wireless communications standards are being deployed, and new frequency bands are being added. Carrier aggregation, Multiple Input Multiple Output ("MIMO") and 5G are being implemented to support wider bandwidths, increase data rates and improve network performance. These trends increase the complexity of smartphones, require more RF content and place a premium on performance, integration, systems-level expertise, and product and technology portfolio breadth, all of which are MP strengths. We offer a comprehensive product portfolio of BAW and surface acoustic wave ("SAW") filters, power amplifiers ("PAs"), low noise amplifiers ("LNAs"), switches, multimode multi-band PAs and transmit modules, RF power management integrated circuits, diversity receive modules, antenna switch modules, antenna tuning and control solutions, modules incorporating PAs and duplexers ("PADs") and modules incorporating switches, PAs and duplexers.

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

As of December 29, 2018, our reportable segments are MP and IDP. These business segments are based on the organizational structure and information reviewed by our Chief Executive Officer, who is our chief operating decision maker ("CODM"), and are managed separately based on the end markets and applications they support. The CODM allocates resources and evaluates the performance of each operating segment primarily based on non-GAAP income from operations (see Note 10 of the Notes to Condensed Consolidated Financial Statements in Part I, Item 1 of this report for additional information regarding our operating segments).

### **THIRD QUARTER FISCAL 2019 FINANCIAL HIGHLIGHTS:**

- Quarterly revenue decreased 1.6% as compared to the third quarter of fiscal 2018, primarily due to lower demand for our cellular RF solutions in support of our largest end customer and our customers based in Asia, partially offset by higher demand for our base station products.
- Gross margin for the third quarter of fiscal 2019 was 40.7% as compared to 39.8% for the third quarter of fiscal 2018. The increase was primarily due to favorable changes in product mix, partially offset by lower factory utilization in our SAW wafer fabrication facilities.
- During the third quarter of fiscal 2019, we recognized impairment charges on certain property and equipment of \$14.9 million related to our planned closure of a wafer fabrication facility in Florida.
- Operating income was \$81.2 million for the third quarter of fiscal 2019 as compared to operating income of \$80.3 million for the third quarter of fiscal 2018.
- Cash flow from operations was \$333.2 million for the third quarter of fiscal 2019 as compared to \$270.1 million for the third quarter of fiscal 2018. The increase was primarily due to improved profitability and favorable changes in working capital.
- Capital expenditures were \$72.0 million for the third quarter of fiscal 2019 as compared to \$45.4 million for the third quarter of fiscal 2018. The increase was primarily related to projects to increase our premium filter and GaN capacities.
- During the third quarter of fiscal 2019, we repurchased approximately 2.3 million shares of our common stock for approximately \$152.0 million.

**RESULTS OF OPERATIONS*****Consolidated***

The following table presents a summary of our results of operations for the three and nine months ended December 29, 2018 and December 30, 2017 (in thousands, except percentages):

	Three Months Ended					
	December 29, 2018	% of Revenue	December 30, 2017	% of Revenue	Increase (Decrease)	Percentage Change
Revenue	\$ 832,330	100.0%	\$ 845,739	100.0%	\$ (13,409)	(1.6)%
Cost of goods sold	493,967	59.3	508,812	60.2	(14,845)	(2.9)
Gross profit	338,363	40.7	336,927	39.8	1,436	0.4
Research and development	109,985	13.2	106,411	12.6	3,574	3.4
Selling, general and administrative	125,604	15.1	126,555	14.9	(951)	(0.8)
Other operating expense	21,617	2.6	23,641	2.8	(2,024)	(8.6)
Operating income	\$ 81,157	9.8%	\$ 80,320	9.5%	\$ 837	1.0 %

	Nine Months Ended					
	December 29, 2018	% of Revenue	December 30, 2017	% of Revenue	Increase (Decrease)	Percentage Change
Revenue	\$ 2,409,443	100.0%	\$ 2,308,153	100.0%	\$ 101,290	4.4 %
Cost of goods sold	1,480,833	61.5	1,413,827	61.3	67,006	4.7
Gross profit	928,610	38.5	894,326	38.7	34,284	3.8
Research and development	337,636	14.0	334,308	14.5	3,328	1.0
Selling, general and administrative	401,041	16.6	404,853	17.5	(3,812)	(0.9)
Other operating expense	37,514	1.6	53,110	2.3	(15,596)	(29.4)
Operating income	\$ 152,419	6.3%	\$ 102,055	4.4%	\$ 50,364	49.3 %

Revenue decreased for the three months ended December 29, 2018, as compared to the three months ended December 30, 2017, primarily due to lower demand for our cellular RF solutions in support of our largest end customer and our customers based in Asia, partially offset by higher demand for our base station products. Revenue increased for the nine months ended December 29, 2018, as compared to the nine months ended December 30, 2017, primarily due to higher demand for our cellular RF solutions in support of our customers based in China as well as higher demand for our base station and Wi-Fi products.

Gross margin for the three months ended December 29, 2018 was 40.7%, as compared to 39.8% for the three months ended December 30, 2017. The increase was primarily due to favorable changes in product mix, partially offset by lower factory utilization in our SAW wafer fabrication facilities.

Gross margin was flat for the nine months ended December 29, 2018, as compared to the nine months ended December 30, 2017, with favorable changes in product mix within our cellular RF solutions being offset by lower factory utilization in our SAW wafer fabrication facilities.

***Operating Expenses***

Research and development expense increased for the three months ended December 29, 2018, as compared to the three months ended December 30, 2017, primarily due to higher personnel related costs. Research and development expense increased for the nine months ended December 29, 2018, as compared to the nine months ended December 30, 2017, primarily due to higher personnel related costs, partially offset by the timing of product development spend.

Selling, general and administrative expense decreased for the three and nine months ended December 29, 2018, as compared to the three and nine months ended December 30, 2017, with lower intangible amortization being offset by higher personnel related costs.

Other operating expense decreased for the three and nine months ended December 29, 2018, as compared to the three and nine months ended December 30, 2017. We recognized an asset impairment charge in December 2018 related to restructuring actions initiated in December 2018 to reduce operating expenses and improve our manufacturing cost structure. In the three and nine months ended December 30, 2017, we recognized restructuring charges (primarily related to employee termination benefits and impairment charges on held for sale assets) associated with the cost reduction actions initiated in the second quarter of fiscal 2018.

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

**Mobile Products**

(In thousands, except percentages)	Three Months Ended			
	December 29, 2018	December 30, 2017	Decrease	Percentage Change
Revenue	\$ 602,312	\$ 642,089	\$ (39,777)	(6.2)%
Operating income	180,394	190,990	(10,596)	(5.5)
Operating income as a % of revenue	30.0%	29.7%		

(In thousands, except percentages)	Nine Months Ended			
	December 29, 2018	December 30, 2017	Increase	Percentage Change
Revenue	\$ 1,754,930	\$ 1,728,709	\$ 26,221	1.5 %
Operating income	466,513	451,689	14,824	3.3
Operating income as a % of revenue	26.6%	26.1%		

MP revenue decreased for the three months ended December 29, 2018, as compared to the three months ended December 30, 2017, primarily due to lower demand for our cellular RF solutions in support of our largest end customer and our customers based in Asia. MP revenue increased for the nine months ended December 29, 2018, as compared to the nine months ended December 30, 2017, primarily due to higher demand for our cellular RF solutions in support of customers based in China.

MP operating income decreased \$10.6 million, or 5.5%, for the three months ended December 29, 2018, as compared to the three months ended December 30, 2017, primarily due to lower revenue, partially offset by higher gross margin. Gross margin was positively impacted by favorable changes in product mix within our cellular RF solutions, partially offset by average selling price erosion.

MP operating income increased \$14.8 million, or 3.3%, for the nine months ended December 29, 2018, as compared to the nine months ended December 30, 2017, primarily due to higher revenue and lower operating expenses. Operating expenses decreased primarily due to timing of product development spend.

**Infrastructure and Defense Products**

(In thousands, except percentages)	Three Months Ended			
	December 29, 2018	December 30, 2017	Increase	Percentage Change
Revenue	\$ 230,018	\$ 202,680	\$ 27,338	13.5%
Operating income	80,861	63,281	17,580	27.8
Operating income as a % of revenue	35.2%	31.2%		

(In thousands, except percentages)	Nine Months Ended			
	December 29, 2018	December 30, 2017	Increase	Percentage Change
Revenue	\$ 654,513	\$ 576,534	\$ 77,979	13.5%
Operating income	192,376	170,516	21,860	12.8
Operating income as a % of revenue	29.4%	29.6%		

IDP revenue increased for the three months ended December 29, 2018, as compared to the three months ended December 30, 2017, primarily due to higher demand for our base station products. IDP revenue increased for the nine months ended

December 29, 2018, as compared to the nine months ended December 30, 2017, primarily due to higher demand for our base station and Wi-Fi products.

IDP operating income increased \$17.6 million, or 27.8%, for the three months ended December 29, 2018, as compared to the three months ended December 30, 2017, primarily due to higher revenue.

IDP operating income increased \$21.9 million, or 12.8%, for the nine months ended December 29, 2018, as compared to the nine months ended December 30, 2017, primarily due to higher revenue, partially offset by higher operating expenses and lower gross margin. Operating expenses increased primarily due to higher personnel related costs. Gross margin was negatively impacted by lower factory utilization.

See Note 10 to the Condensed Consolidated Financial Statements for a reconciliation of segment operating income to the consolidated operating income (loss) for the three and nine months ended December 29, 2018 and December 30, 2017.

## OTHER (EXPENSE) INCOME AND INCOME TAXES

(In thousands)	Three Months Ended		Nine Months Ended	
	December 29, 2018	December 30, 2017	December 29, 2018	December 30, 2017
Interest expense	\$ (9,562)	\$ (16,338)	\$ (33,604)	\$ (43,387)
Interest income	2,814	2,215	7,788	4,039
Other expense	(3,520)	(757)	(85,007)	(1,883)
Income tax (expense) benefit	(1,372)	(98,522)	30,012	(88,611)

### Interest Expense

During the three months ended December 29, 2018, we recorded interest expense of \$10.8 million related to the 2025 Notes and the 2026 Notes (which was partially offset by \$1.9 million of capitalized interest). During the nine months ended December 29, 2018, we recorded interest expense of \$38.8 million related to the 2023 Notes, 2025 Notes and the 2026 Notes (which was partially offset by \$7.2 million of capitalized interest). During the three and nine months ended December 30, 2017, we recorded interest expense of \$17.7 million and \$52.3 million, respectively, related to the 2023 Notes and 2025 Notes (which was partially offset by \$2.0 million and \$10.8 million of capitalized interest, respectively).

During the first half of fiscal 2019, we completed the purchase (via tender offer) of \$429.2 million and \$436.4 million aggregate principal amounts of our 2023 Notes and 2025 Notes, respectively, and we redeemed the remaining \$15.3 million aggregate principal amount of our 2023 Notes. In addition, during the second quarter of fiscal 2019, we completed the issuance of \$630.0 million aggregate principal amount of our 2026 Notes. During the third quarter of fiscal 2019, we repurchased \$21.1 million of our 2025 Notes. Collectively, compared to our long-term debt portfolio at March 31, 2018, these transactions extended the weighted-average maturity of our outstanding senior notes by an additional seventeen months and are expected to decrease our annual interest expense by approximately \$27.4 million.

### Other Expense

During the three and nine months ended December 29, 2018, we recorded a loss on debt extinguishment of \$1.8 million and \$84.0 million, respectively (see Note 6 of the Notes to the Condensed Consolidated Financial Statements for additional information regarding our debt extinguishment activity).

### Income Taxes

On December 22, 2017, the U.S. enacted the Tax Act that instituted fundamental changes to the taxation of multinational corporations, including a reduction in the U.S. federal corporate tax rate from 35% to 21%, which became effective as of January 1, 2018, and implemented a territorial tax system. As a result of the Tax Act, we recorded, as of March 31, 2018, a provisional tax expense of \$77.3 million, which was comprised of a \$116.4 million tax expense related to the one-time transition tax on certain unrepatriated earnings of foreign subsidiaries (the "Transitional Repatriation Tax"), offset by a provisional deferred tax benefit of \$39.1 million from the remeasurement of U.S. deferred tax assets and liabilities. During the third quarter of fiscal 2019, in accordance with current SEC guidance, we finalized our accounting for the impact of the Tax Act within the SAB 118 measurement period of one year from the date of enactment of the Tax Act.

As of December 29, 2018, we completed accounting for the tax effects of the Tax Act described above, and in the first three quarters of fiscal 2019, we recorded discrete income tax benefits of \$17.7 million related to our fiscal 2018 estimated



provisional tax expense, consisting of \$2.6 million to reduce the tax expense related to the previously recorded provisional amount for the Transitional Repatriation Tax and a \$15.1 million increase in U.S. deferred tax assets. In addition, the new GILTI and limitations on compensation provisions enacted by the Tax Act became effective for the Company in fiscal 2019 and have been accounted for in the calculation of current year taxes. The GILTI provisions result in income earned by certain foreign subsidiaries being included in the gross income of its direct and indirect U.S. shareholders.

Our provision for income taxes for the three and nine months ended December 29, 2018 and December 30, 2017 was calculated by applying an estimate of the annual effective tax rate for the full fiscal year to “ordinary” income or loss (pre-tax income or loss excluding unusual or infrequently occurring discrete items) to year-to-date income (loss) to determine the amounts for the three and nine months ended December 29, 2018 and December 30, 2017.

For the three and nine months ended December 29, 2018, we recorded an income tax expense of \$1.4 million and income tax benefit of \$30.0 million, respectively, which was comprised primarily of tax benefits related to domestic and international operations generating pre-tax book losses, adjustments in the provisional Tax Act estimates and a Singapore tax incentive granted during the second quarter, offset by a tax expense related to international operations generating pre-tax book income.

For the three and nine months ended December 30, 2017, we had income tax expense of \$98.5 million and \$88.6 million, respectively, which was comprised primarily of tax expenses related to the Transitional Repatriation Tax, international operations generating pre-tax book income and the adoption of new accounting guidance related to intra-entity transfers of assets, offset by tax benefits from a provisional remeasurement of U.S. deferred tax assets and liabilities for the decrease in the U.S. federal corporate income tax rate from 35% to 21% upon enactment of the Tax Act, domestic operations generating pre-tax book losses and, for the nine months only, tax benefit from the adoption of new accounting guidance related to stock compensation.

A valuation allowance remained against certain domestic and foreign net deferred tax assets as it is more likely than not that the related deferred tax assets will not be realized.

## **LIQUIDITY AND CAPITAL RESOURCES**

Cash generated by operations is our primary source of liquidity. As of December 29, 2018, we had working capital of approximately \$1,201.6 million, including \$649.7 million in cash and cash equivalents, compared to working capital of approximately \$1,402.5 million at March 31, 2018, including \$926.0 million in cash and cash equivalents. The decrease in working capital was primarily due to the retirement of the 2023 Notes and a majority of the 2025 Notes. These amounts were offset by the issuance of the 2026 Notes as well as an increase in accounts receivable as of December 29, 2018 as compared to March 31, 2018.

Our \$649.7 million of total cash and cash equivalents as of December 29, 2018 includes approximately \$603.7 million held by our foreign subsidiaries, of which \$476.7 million is held by Qorvo International Pte. Ltd. in Singapore. If the undistributed earnings of our foreign subsidiaries are needed in the U.S., we may be required to accrue and pay state income and/or foreign local withholding taxes to repatriate these earnings. Under our current plans, we may repatriate the foreign earnings of Qorvo International Pte. Ltd. and expect to permanently reinvest the undistributed earnings of our other foreign subsidiaries.

### ***Stock Repurchases***

During the nine months ended December 29, 2018, we repurchased approximately 4.6 million shares of our common stock for approximately \$338.7 million under the current and prior share repurchase programs. As of December 29, 2018, \$697.2 million remains available for repurchases under our current share repurchase program.

### ***Cash Flows from Operating Activities***

Operating activities for the nine months ended December 29, 2018 generated cash of \$623.0 million, compared to \$593.6 million for the nine months ended December 30, 2017. This year-over-year increase was attributable to improved profitability, primarily as a result of higher revenue.

### ***Cash Flows from Investing Activities***

Net cash used in investing activities was \$205.5 million for the nine months ended December 29, 2018, compared to \$246.4 million for the nine months ended December 30, 2017. This year-over-year decrease was primarily due to lower capital expenditures in fiscal 2019.

***Cash Flows from Financing Activities***

Net cash used in financing activities was \$691.5 million for the nine months ended December 29, 2018, compared to \$53.1 million for the nine months ended December 30, 2017. This year-over-year increase was primarily due to the retirement of the 2023 Notes and a majority of the 2025 Notes and higher share repurchase activity in the nine months ended December 29, 2018. The increase was partially offset by the proceeds from the issuance of the 2026 Notes in the nine months ended December 29, 2018.

**COMMITMENTS AND CONTINGENCIES**

***Notes Offering 2015*** On November 19, 2015, we issued \$450.0 million aggregate principal amount of the 2023 Notes and \$550.0 million aggregate principal amount of the 2025 Notes. The 2023 Notes were, and the 2025 Notes are, senior unsecured obligations of the Company and guaranteed, jointly and severally, by certain of our U.S. subsidiaries (the "Guarantors"). The 2023 Notes and the 2025 Notes were issued pursuant to an indenture dated as of November 19, 2015 containing customary events of default, including payment default, failure to provide certain notices and certain provisions related to bankruptcy events. With respect to the 2023 Notes, interest was payable semi-annually on June 1 and December 1 of each year at a rate of 6.75% per annum, and with respect to the 2025 Notes, interest is payable on June 1 and December 1 of each year at a rate of 7.00% per annum. Interest paid on the 2025 Notes during the three months ended December 29, 2018 was \$4.0 million. Interest paid on the 2023 Notes and the 2025 Notes during the nine months ended December 29, 2018 was \$45.5 million. Interest paid on the 2023 Notes and the 2025 Notes during the three and nine months ended December 30, 2017 was \$34.5 million and \$68.9 million, respectively.

In June 2018, we completed the purchase (via tender offer) of \$429.2 million aggregate principal amount of the 2023 Notes at a price equal to 106.75% of the principal amount of the 2023 Notes purchased, plus accrued and unpaid interest. In July 2018, we redeemed the remaining \$15.3 million principal amount of the 2023 Notes at a redemption price equal to 100.0% of the principal amount of the 2023 Notes redeemed, plus a make-whole premium and accrued and unpaid interest.

In July 2018, we completed the purchase (via tender offer) of \$300.0 million aggregate principal amount of the 2025 Notes at a price equal to 109.63% of the principal amount of the 2025 Notes purchased, plus accrued and unpaid interest. In August 2018, we completed the purchase (via tender offer) of \$136.4 million aggregate principal amount of the 2025 Notes at a price equal to 110.00% of the principal amount of the 2025 Notes purchased, plus accrued and unpaid interest.

In November 2018 and December 2018, we repurchased \$1.1 million and \$20.0 million, respectively, of the 2025 Notes, at prices equal to 107.25% and 107.63%, respectively, of the principal amount of the 2025 Notes purchased, plus accrued and unpaid interest. As of December 29, 2018, 2025 Notes with an aggregate principal amount of \$91.0 million remained outstanding.

See Note 6 of the Notes to the Condensed Consolidated Financial Statements for additional information regarding the 2023 Notes and the 2025 Notes.

***Notes Offering 2018*** On July 16, 2018, we completed an offering of \$500.0 million aggregate principal amount of our 2026 Notes (the "Initial 2026 Notes"). On August 28, 2018, we completed an offering of an additional \$130.0 million aggregate principal amount of such notes (the "Additional 2026 Notes"). The 2026 Notes were sold in a private offering to certain institutions that then resold the 2026 Notes in the United States to qualified institutional buyers pursuant to Rule 144A under the Securities Act and to certain non-U.S. persons in accordance with Regulation S under the Securities Act. We used a portion of the net proceeds of the offering of the 2026 Notes to fund the tender offers for the 2025 Notes and to pay related fees and expenses of the offering and will use the remaining net proceeds for general corporate purposes. The 2026 Notes are senior unsecured obligations of the Company and are guaranteed, jointly and severally, by each of the Guarantors. Interest on the 2026 Notes is payable on January 15 and July 15 of each year at a rate of 5.50% per annum.

The Initial 2026 Notes were issued pursuant to an indenture dated as of July 16, 2018 by and among the Company, the Guarantors and MUFG Union Bank, N.A., as trustee, and the Additional 2026 Notes were issued pursuant to a supplemental indenture, dated as of August 28, 2018 (together, the "2018 Indenture"). The 2018 Indenture contains customary events of default, including, among other things, payment default, exchange default, failure to provide certain notices thereunder and certain provisions related to bankruptcy events. The 2018 Indenture also contains customary negative covenants. In connection with the offering of the Initial 2026 Notes and the Additional 2026 Notes, we also entered into registration rights agreements, dated as of July 16, 2018 and August 28, 2018, respectively (see Note 6 of the Notes to the Condensed Consolidated Financial Statements).

The 2026 Notes have not been registered under the Securities Act or any state securities laws and may not be offered or sold in the United States absent registration or an applicable exemption from such registration requirements.

*Credit Agreement* On December 5, 2017, we and the Guarantors entered into a five-year unsecured senior credit facility with Bank of America, N.A., as administrative agent, swing line lender, and L/C issuer, and a syndicate of lenders (the "Credit Agreement"). On the same date, in connection with the execution of the Credit Agreement, we terminated our prior credit agreement, dated April 7, 2015. On June 5, 2018, we and the Guarantors entered into the First Amendment (the "First Amendment") to the Credit Agreement, and on December 17, 2018, we and the Guarantors entered into the Second Amendment (the "Second Amendment") to the Credit Agreement.

The Credit Agreement includes a senior delayed draw term loan of up to \$400.0 million (the "Term Loan") and a \$300.0 million revolving line of credit (the "Revolving Facility", together with the Term Loan, the "Credit Facility"). On the closing date, \$100.0 million of the Term Loan was funded, and this amount was subsequently repaid in March 2018. The remainder of the Term Loan is available, at our discretion, in up to two draws. The First Amendment, among other things, extended the delayed draw availability period from June 5, 2018 to January 3, 2019, and the Second Amendment, among other things, further extended such period to June 30, 2019. The Revolving Facility includes a \$25.0 million sublimit for the issuance of standby letters of credit and a \$10.0 million sublimit for swing line loans. We may request at any time that the Credit Facility be increased up to \$300.0 million. The Credit Facility is available to finance working capital, capital expenditures and other corporate purposes. Our obligations under the Credit Agreement are jointly and severally guaranteed by the Guarantors. Outstanding amounts are due in full on the maturity date of December 5, 2022 (with amounts borrowed under the swing line option due in full no later than ten business days after such loan is made). We had no outstanding amounts under the Credit Facility as of December 29, 2018.

The Credit Agreement contains various conditions, covenants and representations with which we must be in compliance in order to borrow funds and to avoid an event of default. As of December 29, 2018, we were in compliance with all the financial covenants under the Credit Agreement.

*Capital Commitments* At December 29, 2018, we had capital commitments of approximately \$89.0 million primarily related to projects to increase our premium filter capacity, projects for manufacturing cost savings initiatives, equipment replacements and general corporate purposes.

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

*Legal* We are involved in various legal proceedings and claims that have arisen in the ordinary course of business that have not been fully adjudicated. These actions, when finally concluded and determined, will not, in the opinion of management, have a material adverse effect on our consolidated financial position or results of operations.

*Taxes* We are subject to income and other taxes in the United States and in numerous foreign jurisdictions. Our domestic and foreign tax liabilities are subject to the allocation of revenues and expenses in different jurisdictions. Additionally, the amount of taxes paid is subject to our interpretation of applicable tax laws in the jurisdictions in which we operate. We are subject to audits by tax authorities. While we endeavor to comply with all applicable tax laws, there can be no assurance that a governing tax authority will not have a different interpretation of the law than we do or that we will comply in all respects with applicable tax laws, which could result in additional taxes. There can be no assurance that the outcomes from tax audits will not have an adverse effect on our results of operations in the period during which the review is conducted.

### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.**

There have been no material changes to our market risk exposures during the third quarter of fiscal 2019. For a discussion of our exposure to market risk, refer to Item 7A, “Quantitative and Qualitative Disclosures About Market Risk,” contained in Qorvo's Annual Report on Form 10-K for the fiscal year ended March 31, 2018.

### **ITEM 4. CONTROLS AND PROCEDURES.**

As of the end of the period covered by this report, the Company's management, with the participation of the Company's Chief Executive Officer (CEO) and the Chief Financial Officer (CFO), evaluated the effectiveness of the Company's disclosure controls and procedures in accordance with Rules 13a-15(e) and 15d-15(e) under the Exchange Act. Based on this evaluation, our CEO and CFO concluded that the Company's disclosure controls and procedures were effective, as of such date, to enable the Company to record, process, summarize and report in a timely manner the information that the Company is required to disclose in its Exchange Act reports, and to accumulate and communicate such information to management, including the Company's CEO and the CFO, as appropriate, to allow timely decisions regarding required disclosure.

There were no changes to our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the quarter ended December 29, 2018 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## **PART II — OTHER INFORMATION**

### **ITEM 1A. RISK FACTORS.**

In addition to the other information set forth in this report and in our other reports and statements that we file with the SEC, including our quarterly reports on Form 10-Q, careful consideration should be given to the factors discussed in Part I, Item 1A., “Risk Factors” in Qorvo's Annual Report on Form 10-K for the fiscal year ended March 31, 2018, which could materially affect our business, financial condition or future results. The risks described in Qorvo's Annual Report on Form 10-K for the fiscal year ended March 31, 2018 are not the only risks that we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results.

**ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.****(c) Issuer Purchases of Equity Securities****Purchases of Equity Securities**

<b>Period</b>	<b>Total number of shares purchased (in thousands)</b>	<b>Average price paid per share</b>	<b>Total number of shares purchased as part of publicly announced plans or programs (in thousands)</b>	<b>Approximate dollar value of shares that may yet be purchased under the plans or programs</b>
September 30, 2018 to October 27, 2018	197	\$ 74.07	197	\$834.7 million
October 28, 2018 to November 24, 2018	706	\$ 66.97	706	\$787.4 million
November 25, 2018 to December 29, 2018	1,401	\$ 64.32	1,401	\$697.2 million
Total	2,304	\$ 65.97	2,304	\$697.2 million

On May 23, 2018, we announced that our Board of Directors authorized a share repurchase program to repurchase up to \$1.0 billion of our outstanding stock, which included approximately \$126.3 million authorized under a prior share repurchase program terminated concurrent with the new authorization. Under this program, share repurchases will be made in accordance with applicable securities laws on the open market or in privately negotiated transactions. The extent to which we repurchase our shares, the number of shares and the timing of any repurchases will depend on general market conditions, regulatory requirements, alternative investment opportunities and other considerations. The program does not require us to repurchase a minimum number of shares, does not have a fixed term, and may be modified, suspended or terminated at any time without prior notice.

**ITEM 6. EXHIBITS.**

- 10.1 [Second 2018 Declaration of Amendment to Oorvo, Inc. Nonqualified Deferred Compensation Plan, dated as of October 8, 2018](#)
- 10.2 [Second Amendment to Credit Agreement, dated as of December 17, 2018, by and between Oorvo, Inc., certain of its material domestic subsidiaries, the lenders party thereto, and Bank of America, N.A., as administrative agent \(incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the SEC on December 18, 2018\)](#)
- 31.1 [Certification of Periodic Report by Robert A. Bruggeworth, as Chief Executive Officer, pursuant to Rule 13a-14\(a\) or 15d-14 \(a\) of the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002](#)
- 31.2 [Certification of Periodic Report by Mark J. Murphy, as Chief Financial Officer, pursuant to Rule 13a-14\(a\) or 15d-14 \(a\) of the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002](#)
- 32.1 [Certification of Periodic Report by Robert A. Bruggeworth, as Chief Executive Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002](#)
- 32.2 [Certification of Periodic Report by Mark J. Murphy, as Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002](#)
  
- 101 The following materials from our Quarterly Report on Form 10-Q for the quarter ended December 29, 2018, formatted in XBRL (eXtensible Business Reporting Language): (i) the Condensed Consolidated Balance Sheets as of December 29, 2018 and March 31, 2018; (ii) the Condensed Consolidated Statements of Operations for the three and nine months ended December 29, 2018 and December 30, 2017; (iii) the Condensed Consolidated Statements of Comprehensive Income (Loss) for the three and nine months ended December 29, 2018 and December 30, 2017; (iv) the Condensed Consolidated Statements of Cash Flows for the nine months ended December 29, 2018 and December 30, 2017; and (v) the Notes to Condensed Consolidated Financial Statements

Our SEC file number for documents filed with the SEC pursuant to the Securities Exchange Act of 1934, as amended, is 001-36801.

**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.

Qorvo, Inc.

Date: February 7, 2019

/s/ Mark J. Murphy

\_\_\_\_\_  
Mark J. Murphy

Chief Financial Officer

**SECOND 2018 DECLARATION OF AMENDMENT TO  
QORVO, INC.  
NONQUALIFIED DEFERRED COMPENSATION PLAN**

THIS DECLARATION OF AMENDMENT, made the 8<sup>th</sup> day of October, 2018, by Qorvo, Inc. (the "Company"), as sponsor of the Qorvo, Inc. Nonqualified Deferred Compensation Plan (the "Plan").

**RECITALS:**

It is deemed advisable to amend the Plan to reduce the deferral contribution limit that applies to Bonuses and Commissions from 100% to 85%.

NOW, THEREFORE, it is declared that the Plan shall be and hereby is amended, as follows:

1. Delete Section 3.1(b) in its entirety and substitute therefor the following new Section 3.1(b):

“(b) Deferral Contribution Limits. A Deferral Contribution election may reduce the Participant’s Compensation by a specified whole percentage not exceeding, (i) for Eligible Employees, 50% of their Base Salary and 85% of their Bonuses and Commissions, and (ii) for Outside Directors, 100% of their Compensation, equal in either case to whole number multiples of one (1) percent.”

2. The change in the deferral contribution limit applicable to Bonuses and Commissions as described herein shall apply to Deferral Elections made with respect to Plan Years beginning on and after January 1, 2019.

**IN WITNESS WHEREOF**, this Declaration of Amendment has been executed on behalf of the Company as of the date and year first above written.

**QORVO, INC.**

By: /s/ Jeffrey C. Howland  
Name: Jeffrey C. Howland  
Title: Corporate Vice President



**EXHIBIT 31.1**

**CERTIFICATION PURSUANT TO RULE 13a-14(a) OR 15d-14(a) OF THE EXCHANGE ACT, AS ADOPTED  
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Robert A. Bruggeworth, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Qorvo, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 7, 2019

/s/ ROBERT A. BRUGGEWORTH

Robert A. Bruggeworth  
President and Chief Executive Officer

**EXHIBIT 31.2**

**CERTIFICATION PURSUANT TO RULE 13a-14(a) OR 15d-14(a) OF THE EXCHANGE ACT, AS ADOPTED  
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Mark J. Murphy, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Qorvo, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 7, 2019

/s/ MARK J. MURPHY

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Mark J. Murphy

Chief Financial Officer

**EXHIBIT 32.1**

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE  
SARBANES-OXLEY ACT OF 2002**

I, Robert A. Bruggeworth, President and Chief Executive Officer of Qorvo, Inc. (the “Company”), certify pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that, to my knowledge:

- (1) the Quarterly Report on Form 10-Q of the Company for the fiscal quarter ended December 29, 2018 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ ROBERT A. BRUGGEWORTH

Robert A. Bruggeworth  
President and Chief Executive Officer

February 7, 2019

**EXHIBIT 32.2**

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE  
SARBANES-OXLEY ACT OF 2002**

I, Mark J. Murphy, Chief Financial Officer of Qorvo, Inc. (the “Company”), certify pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that, to my knowledge:

- (1) the Quarterly Report on Form 10-Q of the Company for the fiscal quarter ended December 29, 2018 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ MARK J. MURPHY

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Mark J. Murphy  
Chief Financial Officer

February 7, 2019