MARVELL TECHNOLOGY GROUP LTD
Form 10-Q
July 21, 2016
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended August 1, 2015

or

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

For the transition period from ______to ______

Commission file number: 000-30877

Marvell Technology Group Ltd.

(Exact name of registrant as specified in its charter)

Bermuda	**77-0481679**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

Canon s Court, 22 Victoria Street, Hamilton HM 12, Bermuda

(441) 296-6395

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). x Yes ¨ No

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

Large accelerated filer	x	Accelerated filer	¨
Non-accelerated filer	¨ (Do not check if a smaller reporting company)	Smaller reporting company	¨

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

The number of common shares of the registrant outstanding as of July 11, 2016 was 511.2 million shares.

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EXPLANATORY NOTE

As previously reported, we were unable to timely file our Quarterly Report on Form 10-Q for the second and third quarters of fiscal 2016 and our Annual Report on Form 10-K for fiscal 2016. Except as specifically set forth herein, this Form 10-Q speaks only as of August 1, 2015 and the period then ended, and these financial results do not reflect the effect of events or results of operations that may have occurred subsequent to August 1, 2015. The Company was obligated to adjust its financial results for the second quarter of fiscal 2016 through the date of filing of this report to account for certain activities subsequent to August 1, 2015 (Type 1 subsequent events). As a result, certain results, including net loss and net loss per share, reported in this report may differ from the preliminary results for the second quarter of fiscal 2016 released on September 11, 2015 and updated on December 7, 2016. Please see also our Quarterly Report on Form 10-Q for the fiscal quarter ended October 31, 2015 and our Annual Report on Form 10-K for the fiscal year ended January 30, 2016, which are being filed on the date hereof.

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PART I: FINANCIAL INFORMATION

Item 1. ***Financial Statements***

MARVELL TECHNOLOGY GROUP LTD.

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except par value per share)

	August 1, 2015	January 31, 2015
ASSETS		
Current assets:		
Cash and cash equivalents	$ 927,530	$ 1,210,977
Short-term investments	1,410,117	1,318,578
Accounts receivable, net	417,721	420,955
Inventories	327,103	308,162
Prepaid expenses and other current assets	68,883	68,140
Deferred income taxes	17,223	17,228
Total current assets	3,168,577	3,344,040
Property and equipment, net	322,262	340,639
Long-term investments	10,123	10,226
Goodwill	2,029,945	2,029,945
Acquired intangible assets, net	24,592	30,698
Other non-current assets	110,457	128,839
Total assets	$ 5,665,956	$ 5,884,387
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities:		
Accounts payable	$ 289,023	$ 282,899
Accrued liabilities	160,969	131,388
Carnegie Mellon University accrued litigation settlement	733,557	
Accrued employee compensation	126,038	154,969
Deferred income	59,652	68,120
Total current liabilities	1,369,239	637,376
Non-current income taxes payable	55,283	68,729
Other non-current liabilities	27,437	32,193
Total liabilities	1,451,959	738,298
Commitments and contingencies (Note 10)		
Shareholders equity:		
Common shares, $0.002 par value	1,015	1,030
Additional paid-in capital	2,989,011	3,099,548
Accumulated other comprehensive income (loss)	(1,278)	308
Retained earnings	1,225,249	2,045,203
Total shareholders equity	4,213,997	5,146,089
Total liabilities and shareholders equity	$ 5,665,956	$ 5,884,387

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

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MARVELL TECHNOLOGY GROUP LTD.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share amounts)

	Three Months Ended		Six Months Ended	
	August 1, 2015	**August 2, 2014**	**August 1, 2015**	**August 2, 2014**
Net revenue	$ 710,492	$ 961,545	$ 1,434,780	$ 1,919,375
Operating costs and expenses:				
Cost of goods sold	461,719	477,741	812,872	971,601
Research and development	285,641	294,352	565,755	585,033
Selling and marketing	30,841	33,997	67,015	72,307
General and administrative	35,243	30,962	75,678	61,177
Carnegie Mellon University litigation settlement	654,667		654,667	
Restructuring and other related charges	13,000	735	13,592	5,823
Amortization and write-off of acquired intangible assets	2,568	3,304	5,136	9,993
Total operating costs and expenses	1,483,679	841,091	2,194,715	1,705,934
Operating income (loss)	(773,187)	120,454	(759,935)	213,441
Interest and other income, net	6,790	12,263	11,957	14,188
Income (loss) before income taxes	(766,397)	132,717	(747,978)	227,629
Provision (benefit) for income taxes	5,543	(6,153)	9,872	(10,720)
Net income (loss)	$ (771,940)	$ 138,870	$ (757,850)	$ 238,349
Net income (loss) per share:				
Basic	$ (1.49)	$ 0.27	$ (1.47)	$ 0.47
Diluted	$ (1.49)	$ 0.27	$ (1.47)	$ 0.46
Weighted average shares:				
Basic	516,368	511,821	516,298	508,463
Diluted	516,368	520,269	516,298	520,510
Cash dividend declared per share	$ 0.06	$ 0.06	$ 0.12	$ 0.12

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

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MARVELL TECHNOLOGY GROUP LTD.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(In thousands)

	Three Months Ended		Six Months Ended	
	August 1, 2015	August 2, 2014	August 1, 2015	August 2, 2014
Net income (loss)	$ (771,940)	$ 138,870	$ (757,850)	$ 238,349
Other comprehensive income (loss), net of tax:				
Net change in unrealized gain (loss) on marketable securities	(1,458)	(221)	(3,318)	157
Net change in unrealized gain (loss) on auction rate securities	12	(34)	(103)	143
Net change in unrealized gain (loss) on cash flow hedges	88	473	1,835	(270)
Other comprehensive income (loss), net of tax	(1,358)	218	(1,586)	30
Comprehensive income (loss), net of tax	$ (773,298)	$ 139,088	$ (759,436)	$ 238,379

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

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MARVELL TECHNOLOGY GROUP LTD.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

	Six Months Ended	
	August 1, 2015	August 2, 2014
Cash flows from operating activities:		
Net income (loss)	$ (757,850)	$ 238,349
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	51,811	53,269
Share-based compensation	69,895	64,989
Amortization and write-off of acquired intangible assets	6,106	10,963
Non-cash restructuring and related charges	1,473	17
Other non-cash expense (income), net	1,721	(6,143)
Excess tax benefits from share-based compensation	(25)	(76)
Changes in assets and liabilities:		
Accounts receivable	3,234	(30,159)
Inventories	(18,415)	(46,299)
Prepaid expenses and other assets	11,328	(27,157)
Accounts payable	11,958	87,686
Accrued liabilities and other non-current liabilities	8,058	2,962
Carnegie Mellon University accrued litigation settlement	733,557	
Accrued employee compensation	(28,931)	22,550
Deferred income	(8,468)	21,140
Net cash provided by operating activities	85,452	392,091
Cash flows from investing activities:		
Purchases of available-for-sale securities	(566,365)	(335,770)
Sales and maturities of available-for-sale securities	469,790	372,410
Distribution from (investments in) privately-held companies	208	(441)
Purchases of technology licenses	(5,677)	(9,409)
Purchases of property and equipment	(24,320)	(31,954)
Purchase of equipment previously leased	(10,240)	
Net cash used in investing activities	(136,604)	(5,164)
Cash flows from financing activities:		
Repurchase of common stock	(195,584)	
Proceeds from employee stock plans	57,174	68,374
Minimum tax withholding paid on behalf of employees for net share settlement	(23,007)	(24,923)
Dividend payments to shareholders	(62,104)	(60,992)
Payments on technology license obligations	(8,799)	(2,677)
Excess tax benefits from share-based compensation	25	76
Net cash used in financing activities	(232,295)	(20,142)
Net increase (decrease) in cash and cash equivalents	(283,447)	366,785
Cash and cash equivalents at beginning of period	1,210,977	965,750
Cash and cash equivalents at end of period	$ 927,530	$ 1,332,535

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

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MARVELL TECHNOLOGY GROUP LTD.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 1. The Company and Basis of Presentation

The Company

Marvell Technology Group Ltd., a Bermuda company, and its subsidiaries (the Company), is a fabless semiconductor provider of high-performance application-specific standard products. The Company s core strength of expertise is the development of complex System-on-a-Chip and System-in-a-Package devices, leveraging its extensive technology portfolio of intellectual property in the areas of analog, mixed-signal, digital signal processing, and embedded and stand alone integrated circuits. The majority of the Company s product portfolio leverages embedded central processing unit technology. The Company also develops platforms that it defines as integrated hardware along with software that incorporates digital computing technologies designed and configured to provide an optimized computing solution. The Company s broad product portfolio includes devices for data storage, enterprise-class Ethernet data switching, Ethernet physical-layer transceivers, wireless connectivity, Internet-of-Things devices and multimedia solutions.

Basis of Presentation

The Company s fiscal year is the 52- or 53-week period ending on the Saturday closest to January 31. In a 52-week year, each fiscal quarter consists of 13 weeks. The additional week in a 53-week year is added to the fourth quarter, making such quarter consist of 14 weeks. Fiscal 2016 and 2015 each have a 52-week period.

The unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (GAAP) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and notes required by GAAP for annual financial statements. In the opinion of management, all adjustments consisting of normal and recurring entries considered necessary for a fair statement of the results for the interim periods have been included in the Company s unaudited condensed consolidated balance sheet as of August 1, 2015, the results of its operations for the three and six months ended August 1, 2015 and August 2, 2014, its comprehensive income for the three and six months ended August 1, 2015 and August 2, 2014, and its cash flows for the six months ended August 1, 2015 and August 2, 2014. The January 31, 2015 condensed consolidated balance sheet data was derived from the audited consolidated financial statements included in the Company s Annual Report on Form 10-K for the fiscal year ended January 31, 2015, but does not include all disclosures required for annual periods.

These condensed consolidated financial statements and related notes are unaudited and should be read in conjunction with the Company s audited financial statements and related notes included in the Company s Annual Report on Form 10-K for the fiscal year ended January 31, 2015 as filed on March 26, 2015 with the Securities and Exchange Commission. The results of operations for the three and six months ended August 1, 2015 are not necessarily indicative of the results that may be expected for any other interim period or for the full fiscal year.

Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates, judgments and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, the Company evaluates its estimates, including those related to performance-based compensation, revenue recognition, provisions for sales returns and allowances, inventory excess and obsolescence, investment fair values, goodwill and other intangible assets, restructuring, income taxes, litigation and other contingencies. In addition, the Company uses assumptions when employing the Monte Carlo simulation and Black-Scholes valuation models to calculate the fair value of share-based awards that are granted. Actual results could differ from these estimates, and such differences could affect the results of operations reported in future periods.

Principles of Consolidation

The unaudited condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All intercompany accounts and transactions have been eliminated. The functional currency of the Company and its subsidiaries is the U.S. dollar.

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MARVELL TECHNOLOGY GROUP LTD.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 2. Recent Accounting Pronouncements

Accounting Pronouncements Recently Adopted

In April 2014, the Financial Accounting Standards Board (FASB) issued an amendment to its guidance regarding the reporting requirements of discontinued operations, which was effective for the Company beginning in the first quarter of fiscal 2016. Under the amended guidance, a discontinued operation is defined as a disposal of a component or group of components that is disposed of or is classified as held for sale and represents a strategic shift that has (or will have) a major effect on an entity s operations and financial results. As a result, the Company has adopted and will apply the new guidance for any future dispositions that meet the criteria of a discontinued operation under the amendment.

In November 2015, the FASB issued a new standard to simplify the presentation of deferred income taxes. Currently, deferred income tax assets and liabilities are separately presented as current and non-current amounts on the consolidated balance sheet. The new standard will require that deferred tax assets and liabilities be classified and presented on the balance sheet as non-current. The guidance is effective for annual and interim reporting periods beginning after December 15, 2016, although early adoption is permitted. The Company will adopt the new guidance at the beginning of its fourth quarter of fiscal 2016 on a prospective basis, and will not retrospectively adjust any prior periods. Adoption will have no impact on the Company s consolidated results of operations and it had no material impact on working capital.

Accounting Pronouncements Not Yet Effective

In May 2014, the FASB issued a new standard on the recognition of revenue from contracts with customers, which will supersede nearly all existing revenue recognition guidance under GAAP. Under the new standard, recognition of revenue occurs when a customer obtains control of promised goods or services in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Additional disclosures regarding the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers, and assets recognized from costs incurred to obtain or fulfill a contract will also be required. The FASB subsequently issued an update to this standard in August 2015, which provides deferral of the effective date by one year. The standard is now effective for the Company s first quarter of fiscal 2019 and allows for either full retrospective or modified retrospective adoption. Early adoption is permitted only as of annual reporting periods beginning after December 15, 2016 and including interim reporting periods within such reporting period.

The FASB has since issued additional updates of its new standard on revenue recognition issued in May 2014. In March 2016, an amendment was issued to clarify the implementation guidance on principal versus agent consideration. The guidance requires entities to determine whether the nature of its promise to provide goods or services to a customer is performed in a principal or agent capacity and to recognize revenue in a gross or net manner based on its principal/agent designation. In April 2016, amendments were issued to clarify the identification of performance obligations and the licensing implementation guidance in the initial standard. Amendments were issued in May 2016 related to its guidance on assessing collectability, presentation of sales tax, noncash consideration, and completed contracts and contract modification at transition, which reduce the potential for diversity in practice, and the cost and complexity of application at transition and on an ongoing basis. The Company has been evaluating the effects of the new guidance and has not yet selected a transition method nor has it determined the potential effects of adoption on its consolidated financial statements.

In April 2015, the FASB issued new guidance to help entities evaluate the accounting for fees paid by a customer in a cloud computing arrangement. The guidance provides a basis for evaluating whether a cloud computing arrangement includes a software license or whether the arrangement should be accounted for as a service contract. The guidance is effective for annual and interim reporting periods beginning after December 15, 2015. The newly issued guidance also strikes from previous authoritative guidance, the use by analogy to the accounting for capital leases, which the Company applied in the accounting for certain of its technology license agreements. The Company is currently evaluating the effect this new guidance will have on its consolidated financial statements.

In July 2015, the FASB issued an amendment to its guidance regarding the subsequent measurement of inventory. Currently, inventory is measured at the lower of cost or market. Market could be replacement cost, net realizable value or net realizable value less an approximately normal profit margin. Under this amended guidance, inventory is to be measured at the lower of cost and net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. This amendment applies to inventories for which cost is determined by methods other than last-in first-out and the retail inventory method. This standard is effective for annual and interim reporting periods beginning after December 15, 2016. The Company is currently evaluating the effect this new guidance will have on its consolidated financial statements.

In January 2016, the FASB issued new guidance which requires entities to measure all investments in equity securities at fair value with changes recognized through net income. This requirement does not apply to investments that qualify for the equity method of accounting, investments that result in consolidation of the investee, or investments for which the entity meets a practicability exception to fair value measurement. The new guidance also changes certain disclosure requirements for financial instruments. This standard is effective for annual and interim reporting periods beginning after December 15, 2017. The Company is currently evaluating the effect this new guidance will have on its consolidated financial statements.

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MARVELL TECHNOLOGY GROUP LTD.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

In March 2016, the FASB issued an amendment to its guidance on the effects of derivative contract novations on existing hedge accounting relationships. The new guidance clarifies that a change in the counterparty to a designated hedging instrument, in and of itself, does not require the de-designation of that hedging relationship, provided that all other hedge accounting criteria continue to be met. The guidance is effective for annual and interim reporting periods beginning after December 15, 2016. The Company is currently evaluating the effect this new guidance will have on its consolidated financial statements.

In March 2016, the FASB issued a new standard on the accounting for leases, which requires a lessee to record a right-of-use asset and a corresponding lease liability on the balance sheet for all leases with terms longer than twelve months. The standard also expands the required quantitative and qualitative disclosures surrounding lease arrangements. The standard is effective for annual and interim reporting periods beginning after December 15, 2018. The Company is currently evaluating the effect this new guidance will have on its consolidated financial statements.

In March 2016, the FASB issued an amendment to its guidance for investments that eliminates the requirement to retrospectively apply the equity method in previous periods when an investor initially obtains significant influence over an investee. Under the amended guidance, the investor should apply the equity method prospectively from the date the investment qualifies for the equity method. The guidance is effective for annual and interim reporting periods beginning after December 15, 2016. The Company is currently evaluating the effect this new guidance will have on its consolidated financial statements.

In March 2016, the FASB issued new guidance which simplifies several aspects of the accounting for share-based payment award transactions, including the accounting for income taxes, forfeitures and statutory tax withholding requirements, as well as classification in the statement of cash flows. The guidance is effective for annual and interim reporting periods beginning after December 15, 2016. The Company is currently evaluating the effect this new guidance will have on its consolidated financial statements.

In June 2016, the FASB issued a new standard requiring financial assets measured at amortized cost be presented at the net amount expected to be collected, through an allowance for credit losses that is deducted from the amortized cost basis. The standard eliminates the probable initial recognition in current GAAP and reflects an entity s current estimate of all expected credit losses. The measurement of expected credit losses is based upon historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the financial assets. The standard is effective for annual and interim reporting periods beginning after December 15, 2019. The Company is currently evaluating the effect this new guidance will have on its consolidated financial statements.

Note 3. Investments

The following tables summarize the Company s investments (in thousands):

	August 1, 2015			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Short-term investments:				
Available-for-sale:				
Corporate debt securities	$ 1,024,112	$ 1,643	$ (1,557)	$ 1,024,198
U.S. government and agency debt	229,731	176	(19)	229,888
Asset backed securities	101,216	99	(12)	101,303
Foreign government and agency debt	16,945	7	(10)	16,942
Municipal debt securities	37,780	38	(32)	37,786
Total short-term investments	1,409,784	1,963	(1,630)	1,410,117
Long-term investments:				

Available-for-sale:				
Auction rate securities	12,500		(2,377)	10,123
Total long-term investments	12,500		(2,377)	10,123
Total investments	$ 1,422,284	$ 1,963	$ (4,007)	$ 1,420,240

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MARVELL TECHNOLOGY GROUP LTD.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	January 31, 2015			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Short-term investments:				
Available-for-sale:				
Corporate debt securities	$ 983,008	$ 3,872	$ (563)	$ 986,317
U.S. government and agency debt	178,898	265	(7)	179,156
Asset backed securities	91,432	108	(9)	91,531
Foreign government and agency debt	28,051	61	(2)	28,110
Municipal debt securities	33,421	47	(4)	33,464
Total short-term investments	1,314,810	4,353	(585)	1,318,578
Long-term investments:				
Available-for-sale:				
Auction rate securities	12,500		(2,274)	10,226
Total long-term investments	12,500		(2,274)	10,226
Total investments	$ 1,327,310	$ 4,353	$ (2,859)	$ 1,328,804

As of August 1, 2015, the Company s investment portfolio included auction rate securities with an aggregate par value of $12.5 million classified as long-term investments. Although these securities have continued to pay interest, there is currently limited trading volume in the securities. The Company uses a discounted cash flow model to estimate the fair value of the auction rate securities based on estimated timing and amount of future interest and principal payments. In developing the discounted cash flow model, the Company considers the credit quality and liquidity of the underlying securities and related issuer, the collateralization of underlying security investments and other considerations. The fair value of these auction rate securities as of August 1, 2015 was $2.4 million less than their par value. Based on the Company s balance of approximately $2.3 billion in cash, cash equivalents and short-term investments, and the fact that the Company continues to generate positive cash flow from operations on a quarterly basis, the Company does not anticipate having to sell these securities below par value and does not have the intent to sell these auction rate securities until recovery. Since the Company considers the impairment to be temporary, the Company recorded the unrealized loss to accumulated other comprehensive loss, a component of shareholders equity.

Gross realized gains and gross realized losses on sales of available-for-sale securities are presented in the following tables (in thousands):

	Three Months Ended		Six Months Ended	
	August 1, 2015	August 2, 2014	August 1, 2015	August 2, 2014
Gross realized gains	$ 255	$ 480	$ 698	$ 952
Gross realized losses	(230)		(337)	(25)
Total net realized gains	$ 25	$ 480	$ 361	$ 927

The contractual maturities of available-for-sale securities are presented in the following tables (in thousands):

	August 1, 2015	January 31, 2015

	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Due in one year or less	$ 332,385	$ 332,406	$ 361,108	$ 361,396
Due between one and five years	1,068,461	1,068,779	950,702	954,151
Due over five years	21,438	19,055	15,500	13,257
	$ 1,422,284	$ 1,420,240	$ 1,327,310	$ 1,328,804

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MARVELL TECHNOLOGY GROUP LTD.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For individual securities that have been in a continuous unrealized loss position, the fair value and gross unrealized loss for these securities aggregated by investment category and length of time in an unrealized position are presented in the following tables (in thousands):

	August 1, 2015					
	Less than 12 months		12 months or more		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Corporate debt securities	$ 490,575	$ (1,539)	$ 6,053	$ (18)	$ 496,628	$ (1,557)
U.S. government and agency debt	64,067	(19)			64,067	(19)
Asset backed securities	30,602	(12)			30,602	(12)
Foreign government and agency debt	13,938	(10)			13,938	(10)
Municipal debt securities	10,532	(32)			10,532	(32)
Auction rate securities			10,123	(2,377)	10,123	(2,377)
Total securities	$ 609,714	$ (1,612)	$ 16,176	$ (2,395)	$ 625,890	$ (4,007)

	January 31, 2015					
	Less than 12 months		12 months or more		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Corporate debt securities	$ 243,699	$ (558)	$ 2,005	$ (5)	$ 245,704	$ (563)
U.S. government and agency debt	32,165	(7)			32,165	(7)
Asset backed securities	25,053	(9)			25,053	(9)
Foreign government and agency debt	2,999	(2)			2,999	(2)
Municipal debt securities	2,845	(4)			2,845	(4)
Auction rate securities			10,226	(2,274)	10,226	(2,274)
Total securities	$ 306,761	$ (580)	$ 12,231	$ (2,279)	$ 318,992	$ (2,859)

Note 4. Supplemental Financial Information (in thousands)

Consolidated Balance Sheets

	August 1, 2015	January 31, 2015
Inventories:		
Work-in-process	$ 198,158	$ 183,869
Finished goods	128,945	124,293
Total inventories	$ 327,103	$ 308,162

	August 1, 2015	January 31, 2015
Property and equipment, net:		
Machinery and equipment	$ 623,191	$ 601,961
Buildings	144,320	144,320
Computer software	102,801	99,312
Land	53,373	53,373
Building improvements	49,902	49,753
Leasehold improvements	50,350	51,434
Furniture and fixtures	27,531	27,883
Construction in progress	4,680	6,167
	1,056,148	1,034,203
Less: Accumulated depreciation and amortization	(733,886)	(693,564)
Total property and equipment, net	$ 322,262	$ 340,639

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MARVELL TECHNOLOGY GROUP LTD.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	August 1, 2015	January 31, 2015
Other non-current assets:		
Technology and other licenses	$ 48,518	$ 61,217
Deferred tax assets	19,288	22,273
Investments in privately-held companies	8,556	9,267
Prepaid land use rights	13,277	13,432
Deposits	7,649	7,903
Other	13,169	14,747
Total other non-current assets	$ 110,457	$ 128,839

	August 1, 2015	January 31, 2015
Accrued liabilities:		
Accrued rebates	$ 35,826	$ 39,105
Accrued royalties	19,130	24,680
Accrued share repurchases	19,672	
Technology license obligations	10,802	14,428
Accrued legal expense	5,460	8,327
Accrued litigation	11,238	1,700
Other	58,841	43,148
Total accrued liabilities	$ 160,969	$ 131,388

Accrued share repurchases represent amounts not yet paid by the Company for repurchases of its common shares made in the final three days of the fiscal quarter. The repurchased shares are retired immediately after the repurchases are completed.

	August 1, 2015	January 31, 2015
Other non-current liabilities:		
Technology license obligations	$ 12,767	$ 16,468
Long-term accrued employee compensation	6,323	4,610
Other	8,347	11,115
Other non-current liabilities	$ 27,437	$ 32,193

Accumulated other comprehensive income (loss)

The changes in accumulated other comprehensive income (loss) by components are presented in the following tables (in thousands):

	Unrealized Gain (Loss) on Marketable Securities	Unrealized Gain (Loss) on Auction Rate Securities	Unrealized Gain (Loss) on Cash Flow Hedges	Total
Balance at January 31, 2015	$ 3,768	$ (2,274)	$ (1,186)	$ 308
Other comprehensive income (loss) before reclassifications	(2,865)	(103)	1,166	(1,802)
Amounts reclassified from accumulated other comprehensive income (loss)	(453)		669	216
Other comprehensive income (loss), net of tax	(3,318)	(103)	1,835	(1,586)
Balance at August 1, 2015	$ 450	$ (2,377)	$ 649	$ (1,278)

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MARVELL TECHNOLOGY GROUP LTD.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	Unrealized Gain (Loss) on Marketable Securities	Unrealized Gain (Loss) on Auction Rate Securities	Unrealized Gain (Loss) on Cash Flow Hedges	Total
Balance at February 1, 2014	$ 2,534	$ (2,871)	$ 934	$ 597
Other comprehensive income before reclassifications	1,012	143	734	1,889
Amounts reclassified from accumulated other comprehensive income (loss)	(855)		(1,004)	(1,859)
Other comprehensive income (loss), net of tax	157	143	(270)	30
Balance at August 2, 2014	$ 2,691	$ (2,728)	$ 664	$ 627

The amounts reclassified from accumulated other comprehensive income (loss) by components are presented in the following table (in thousands):

Affected Line Item in the Statement of Operations	Three Months Ended August 1, 2015	Three Months Ended August 2, 2014	Six Months Ended August 1, 2015	Six Months Ended August 2, 2014
Interest and other income, net:				
Available-for-sale securities:				
Marketable securities	$ 121	$ 435	$ 453	$ 855
Operating cost and expenses:				
Cash flow hedges:				
Research and development	251	200	(613)	921
Selling and marketing	4	19	(63)	81
General and administrative	20		7	2
Total	$ 396	$ 654	$ (216)	$ 1,859

Consolidated Statements of Operations

	Three Months Ended August 1, 2015	Three Months Ended August 2, 2014	Six Months Ended August 1, 2015	Six Months Ended August 2, 2014
Interest and other income, net:				
Interest income	$ 3,971	$ 2,315	$ 8,048	$ 4,924
Net realized gain on investments	25	480	361	927
Currency translation gain (loss)	3,494	339	3,901	(686)
Other income (expense)	(508)	9,438	59	9,657
Interest expense	(192)	(309)	(412)	(634)
	$ 6,790	$ 12,263	$ 11,957	$ 14,188

Net income (loss) per share

The Company reports both basic net income (loss) per share, which is based on the weighted average number of common shares outstanding during the period, and diluted net income (loss) per share, which is based on the weighted average number of common shares outstanding and potentially dilutive common shares outstanding during the period. The computations of basic and diluted net income (loss) per share are presented in the following table (in thousands, except per share amounts):