INTEGRATED DEVICE TECHNOLOGY INC
Form 10-Q
August 08, 2017
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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 July 2, 2017 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 No. 0-12695
INTEGRATED DEVICE TECHNOLOGY, INC.
(Exact Name of Registrant as Specified in Its Charter)

DELAWARE	94-2669985
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
6024 SILVER CREEK VALLEY ROAD, SAN JOSE, CALIFORNIA	95138
(Address of Principal Executive Offices)	(Zip Code)

Registrant's Telephone Number, Including Area Code: (408) 284-8200
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 ý No o

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 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ý 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 definition of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer ý	Accelerated Filer ¨
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	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 o No ý
The number of outstanding shares of the registrant's Common Stock, $.001 par value, as of August 4, 2017 was approximately 133,445,145.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS
INTEGRATED DEVICE TECHNOLOGY, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited, in thousands)	July 2, 2017	April 2, 2017
Assets		
Current assets:		
Cash and cash equivalents	$144,533	$214,554
Short-term investments	213,661	191,492
Accounts receivable, net	103,433	89,312
Inventories	71,371	52,288
Prepayments and other current assets	14,157	13,054
Total current assets	547,155	560,700
Property, plant and equipment, net	84,696	80,961
Goodwill	420,117	306,925
Intangible assets, net	195,441	108,818
Deferred tax assets	93,936	85,831
Other assets	42,657	40,399
Total assets	$1,384,002	$1,183,634
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	$41,266	$42,020
Accrued compensation and related expenses	23,552	26,624
Deferred income on shipments to distributors	2,218	1,985
Current portion of bank loan	2,000	—
Other accrued liabilities	20,843	20,205
Total current liabilities	89,879	90,834
Deferred tax liabilities	12,160	13,835
Long-term income tax payable	2,300	867
Convertible notes	288,977	285,541
Long-term bank loan, net	191,957	—
Other long-term liabilities	23,123	18,894
Total liabilities	608,396	409,971
Commitments and contingencies (Note 14)		
Stockholders' equity:		
Preferred stock: $0.001 par value: 10,000 shares authorized; no shares issued	—	—
Common stock: $0.001 par value: 350,000 shares authorized; 133,633 and 133,175 shares outstanding as of July 2, 2017 and April 2, 2017, respectively	134	133
Additional paid-in capital	2,704,166	2,685,649
Treasury stock at cost: 123,418 shares as of July 2, 2017 and 121,982 shares at April 2, 2017, respectively	(1,651,141)	(1,616,315)
Accumulated deficit	(272,305)	(289,019)
Accumulated other comprehensive loss	(5,248)	(6,785)
Total stockholders' equity	775,606	773,663
Total liabilities and stockholders' equity	$1,384,002	$1,183,634

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

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INTEGRATED DEVICE TECHNOLOGY, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended	
(Unaudited, in thousands, except per share data)	July 2, 2017	July 3, 2016
Revenues	$196,713	$192,128
Cost of revenues	86,675	83,779
Gross profit	110,038	108,349
Operating expenses:		
Research and development	48,449	49,648
Selling, general and administrative	41,942	38,816
Total operating expenses	90,391	88,464
Operating income	19,647	19,885
Interest expense	(6,897)	(4,148)
Interest income and other, net	2,982	1,652
Income before income taxes	15,732	17,389
Benefit from income taxes	(982)	(3,558)
Net income	$16,714	$20,947
Net income per share:		
Basic	$0.13	$0.16
Diluted	$0.12	$0.15
Weighted average shares:		
Basic	133,302	133,934
Diluted	136,642	138,109

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

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INTEGRATED DEVICE TECHNOLOGY, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited, in thousands)	Three Months Ended July 2, 2017	July 3, 2016
Net income	$16,714	$20,947
Other comprehensive loss, net of taxes:		
Currency translation adjustments	1,403	(1,033)
Change in net unrealized loss on investments, net of tax	134	456
Total other comprehensive gain (loss)	1,537	(577)
Comprehensive income	$18,251	$20,370

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

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INTEGRATED DEVICE TECHNOLOGY, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited, in thousands)	Three Months Ended July 2, 2017	July 3, 2016
Cash flows from operating activities:		
Net income	$16,714	$20,947
Adjustments:		
Depreciation	6,116	5,156
Amortization of intangible assets	11,736	6,096
Amortization of debt issuance costs and debt discount	3,641	3,268
Assets impairment	—	870
Stock-based compensation expense, net of amounts capitalized in inventory	11,820	10,515
Deferred income tax	(3,023)	(4,046)
Changes in assets and liabilities, net of acquisition [a]:		
Accounts receivable, net	582	(7,901)
Inventories	253	8,006
Prepayments and other assets	239	(118)
Accounts payable	(5,530)	(4,803)
Accrued compensation and related expenses	(6,226)	(22,936)
Deferred income on shipments to distributors	233	5,279
Income taxes payable and receivable	917	235
Other accrued liabilities and long-term liabilities	(2,499)	9,684
Net cash provided by operating activities	34,973	30,252
Cash flows from investing activities:		
Acquisition, net of cash acquired	(237,716)	—
Purchases of property, plant and equipment, net	(8,434)	(7,025)
Purchases of intangible assets	(259)	(150)
Purchases of short-term investments	(47,689)	(93,127)
Proceeds from sales of short-term investments	14,568	35,063
Proceeds from maturities of short-term investments	11,401	9,985
Net cash used in investing activities	(268,129)	(55,254)
Cash flows from financing activities:		
Proceeds from issuance of common stock	3,209	5,361
Repurchase of common stock	(34,826)	(30,563)
Payment of capital lease obligations	(200)	(483)
Proceeds of Initial Term B Loan, net of discount and issuance costs	194,252	—
Payment of Initial Term B Loan principal	(500)	—
Net cash provided by (used in) financing activities	161,935	(25,685)
Effect of exchange rates on cash and cash equivalents	1,200	(559)
Net decrease in cash and cash equivalents	(70,021)	(51,246)
Cash held for sale [a]	—	(1,000)
Cash and cash equivalents at beginning of period	214,554	203,231
Cash and cash equivalents at end of period	$144,533	$150,985
Non-cash investing activities:		
Additions to property, plant and equipment included in accounts payable	$1,879	$757
Fair value of partially vested employee equity awards related to pre-combination services that were assumed as part of the acquisition	$3,400	$—

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(a) For the three months ended July 3, 2016, the impact of assets and liabilities reclassified as held for sale during such period was not considered in the changes in operating assets and liabilities, net of acquisition within cash flows from operating activities. See Note 4 "Divestitures" for more details on the assets and liabilities reclassified as held for sale.

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

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INTEGRATED DEVICE TECHNOLOGY, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
Note 1. Summary of Significant Accounting Policies

Nature of Business. Integrated Device Technology, Inc. (IDT or the Company) designs, develops, manufactures and markets a broad range of integrated circuits for the advanced communications, computing, consumer and automotive industries.

Basis of Presentation. The Company's fiscal year is the 52 or 53 week period ending on the Sunday closest to March 31. In a 52 week year, each fiscal quarter consists of 13 weeks. In a 53 week year, the additional week is usually added to the third quarter, making such quarter consist of 14 weeks. The first quarter of fiscal 2018 and fiscal 2017 were 13 week periods.

Principles of Consolidation. The condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All inter-company accounts and transactions have been eliminated.

Use of Estimates. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Significant Accounting Policies. For a description of significant accounting policies, see Note 1, Summary of Significant Accounting Policies to the consolidated financial statements included in the Company's annual report on Form 10-K for the fiscal year ended April 2, 2017. On April 4, 2017, the Company completed its acquisition of GigPeak, Inc. (GigPeak), a publicly held company mainly operating in the United States, for a purchase price of $250.1 million (refer to Note 3 for details). As a result of new revenue sources from the GigPeak business, the Company adopted the following revenue recognition policy in addition to its existing revenue recognition policy prior to the GigPeak acquisition.

Revenue Recognition

The Company recognizes software royalty revenue based on reports received from customers during the quarter, assuming that all other revenue recognition criteria are met. The customers generally report shipment information typically within 45 days following the end of their respective quarters.

Other than the above, there have been no material changes to the Company's significant accounting policies since the filing of the annual report on Form 10-K.

In the opinion of management, these condensed consolidated financial statements, consisting only of normal recurring adjustments, reflect all adjustments which are necessary for the fair statement of the condensed consolidated financial statements for the interim period.

Recent Accounting Pronouncements

In August 2016, the FASB issued ASU 2016-15, Classification of Certain Cash Receipts and Cash Payments, which clarifies the classification of certain cash receipts and cash payments in the statement of cash flows, including debt prepayment or extinguishment costs, settlement of contingent consideration arising from a business combination, insurance settlement proceeds, and distributions from certain equity method investees. The adoption of ASU No. 2016-15 is required to be applied retrospectively. The Company adopted the new guidance in the first quarter of fiscal 2018. There was no material impact upon adoption.

In July 2015, the FASB issued ASU No. 2015-11, Simplifying the Measurement of Inventory, which provides the guidance applying to inventory measured using any other method other than last-in, last-out method. Under this guidance, inventory is measured at the lower of cost and net realizable value. The net realizable value is the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. The Company adopted the new guidance prospectively in the first quarter of fiscal 2018. There was no material impact to the period of adoption.

Accounting Pronouncements Not Yet Effective for Fiscal 2018

In May 2017, the FASB issued ASU No. 2017-09, Compensation - Stock Compensation (Topic 718): Scope of Modification Accounting, which amends the requirements in GAAP related to accounting in changes to stock

compensation awards. The guidance in ASU 2017-09 is effective for annual periods beginning after December 15, 2017, including interim periods within those fiscal years. The Company is currently evaluating the impact this guidance will have on its consolidated financial statements and related disclosures.

In January 2017, the FASB issued ASU 2017-04, Intangibles-Goodwill and Other (Topic 350), which simplifies the measurement of goodwill by eliminating the Step 2 impairment test. Step 2 measures a goodwill impairment loss by comparing the implied fair value of a reporting unit's goodwill with the carrying amount of that goodwill. The new guidance requires an entity to compare the fair value of a reporting unit with its carrying amount and recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value. Additionally, an entity should consider income tax effects from any tax deductible goodwill on the carrying amount of the reporting unit when measuring the goodwill impairment loss, if applicable. The new guidance becomes effective for goodwill impairment tests in fiscal years beginning after December 15, 2019, though early adoption is permitted. The Company does not believe that the adoption of this new accounting guidance will have any material impact on its consolidated financial statements.

In January 2017, the FASB issued ASU 2017-01, Business Combinations (Topic 805), which clarifies the definition of business. The update provides a more robust framework to use in determining when a set of assets and activities is a business. The new guidance provides a screen to determine when a set is not a business. The screen requires that when substantially all of the fair value of the gross assets acquired (or disposed of) is concentrated in a single identifiable asset or a group of similar identifiable assets, the set is not a business. The new guidance becomes effective in fiscal years beginning after December 15, 2017, though early adoption is permitted. The new guidance should be applied prospectively on or after the effective date. No disclosures are required at transition. The Company does not believe that the adoption of this new accounting guidance will have any material impact on its consolidated financial statements.

In October 2016, the FASB issued ASU 2016-16, Intra-Entity Transfers of Assets Other Than Inventory, which requires entities to recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs. This amends current GAAP which prohibits recognition of current and deferred income taxes for all types of intra-entity asset transfers until the asset has been sold to a third party or otherwise recovered through use. The new standard will be effective for the Company starting in the first quarter of fiscal 2019. Upon adoption, companies must apply a modified retrospective transition approach through a cumulative-effect adjustment to retained earnings as of the beginning of the period of adoption. As of July 2, 2017, the Company has a deferred tax charge of $4.8 million recorded in prepayments and other current assets and other assets, which represents the tax expense that was deferred in accordance with current GAAP. At adoption, the Company will recognize the unamortized portion of the deferred tax charge through a cumulative-effect adjustment to accumulated deficit. Additionally, a deferred tax asset will be recognized, through a cumulative-effect adjustment to accumulated deficit, for the unamortized tax basis in the assets, which as of July 2, 2017 would have been $0.8 million.

In June 2016, the FASB issued ASU 2016-13, Financial Instruments – Credit Losses, which changes the accounting for recognizing impairments of financial assets. Under the new guidance, credit losses for certain types of financial instruments will be estimated based on expected losses. The new guidance also modifies the impairment models for available-for-sale debt securities and for purchased financial assets with credit deterioration since their origination. The new guidance will be effective for the Company starting in the first quarter of fiscal 2021. Early adoption is permitted starting in the first quarter of fiscal 2020. The Company is in the process of determining the effects the adoption will have on its consolidated financial statements.

In February 2016, the FASB issued an ASU 2016-02, Leases (Topic 842). The core principle of Topic 842 is that a lessee should recognize the assets and liabilities that arise from leases. All leases create a right-of-use asset and a liability for the lessee in accordance with FASB Concepts Statement No. 6, Elements of Financial Statements, and, therefore, recognition of those lease assets and lease liabilities represents an improvement over previous GAAP, which did not require lease assets and lease liabilities to be recognized for most leases. This ASU is effective for annual and interim periods beginning after December 15, 2018. Early adoption is permitted. The recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee have not significantly

changed from previous GAAP. The Company is currently evaluating the effect this new guidance will have on its consolidated financial statements.

In January 2016, the FASB issued ASU No. 2016-01, Recognition and Measurement of Financial Assets and Financial Liabilities, which changes the current accounting related to (i) the classification and measurement of certain equity investments, (ii) the presentation of changes in the fair value of financial liabilities measured under the fair value option that are due to instrument-specific credit risk, and (iii) certain disclosures associated with the fair value of financial instruments. Most notably, ASU 2016-01 requires that equity investments, with certain exemptions, be measured at fair value with changes in fair value recognized in net income as opposed to other comprehensive income. The guidance further clarifies that an entity should evaluate the need for a valuation allowance on a deferred tax asset related to available-for-sale securities in combination with the entity's other deferred tax assets. The guidance is applied by means of cumulative-effect adjustment to the balance sheet as of the beginning of fiscal year of adoption and is effective for the Company in its first quarter of fiscal 2019. Early adoption is permitted only if certain criteria are met. The Company is currently evaluating the effect this new guidance will have on its consolidated financial statements.

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On May 28, 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. The standard permits the use of either the retrospective or cumulative effect transition method. The FASB also decided to allow early adoption of the standard, but not before the original effective date of December 15, 2016. In March, April and May 2016, the FASB issued additional updates to the new revenue standard relating to reporting revenue on a gross versus net basis, identifying performance obligations and licensing arrangements, and narrow-scope improvements and practical expedients, respectively. The new standard will be effective for the Company beginning April 2, 2018. The Company has elected to use the modified retrospective method as its transition method in adoption of the new revenue standard. The Company is still finalizing the analysis to quantify the overall potential impact of the new standard, including any impacts from recently issued amendments and the guidance issued by the FASB Transition Resource Group. Since the Company has certain distributors for which revenue is recognized upon shipment, with reserves recorded for the estimated return and pricing adjustment exposures, the Company does not expect the new standard to materially impact the timing of recognition of future revenue from such distributors. The Company has also started its assessment to determine the revenue recognition impact of its recent acquisition of GigPeak.

Note 2. Net Income Per Share

Basic net income per share is computed using the weighted-average number of common shares outstanding during the period. Diluted net income per share is computed using the weighted-average number of common and dilutive potential common shares outstanding during the period. Potential common shares include employee stock options, restricted stock units and performance-based stock units. For purposes of computing diluted net income per share, weighted average potential common shares do not include potential common shares that are anti-dilutive under the treasury stock method.

The following table sets forth the computation of basic and diluted net income per share:

	Three Months Ended	
(in thousands, except per share amounts)	July 2, 2017	July 3, 2016
Numerator (basic and diluted):		
Net income	$16,714	$20,947
Denominator:		
Weighted average common shares outstanding, basic	133,302	133,934
Dilutive effect of employee stock options, restricted stock units and performance stock units	3,340	4,175
Weighted average common shares outstanding, diluted	136,642	138,109
Basic net income per share	$0.13	$0.16
Diluted net income per share	$0.12	$0.15

Potential dilutive common shares of 24 thousand and 0.4 million pertaining to employee stock options, restricted stock units and performance-based stock units were excluded from the calculation of diluted earnings per share for the three months ended July 2, 2017 and July 3, 2016, respectively, because the effect would have been anti-dilutive.

The denominator for diluted net income per share for the three months ended July 2, 2017 does not include any effect from the 0.875% Convertible Senior Notes due 2022, or the Convertible Notes. In accordance with ASC 260, Earnings per Share, the Convertible Notes will not impact the denominator for diluted net income per share unless the average price of our common stock, as calculated under the terms of the Convertible Notes, exceeds the conversion price of $33.45 per share. Likewise, the denominator for diluted net income per share will not include any effect from the warrants unless the average price of our common stock, as calculated under the terms of the warrants, exceeds

$48.66 per share.

The denominator for diluted net income per share for three months ended July 2, 2017 also does not include any effect from the convertible note hedge transaction, or the Note Hedges. In future periods, the denominator for diluted net income per share will exclude any effect of the Note Hedges, as their effect would be anti-dilutive. In the event an actual conversion of any or all of the Convertible Notes occurs, the shares that will be delivered to us under the Note Hedges are designed to neutralize the dilutive effect of the shares that the Company will issue under the Convertible Notes. Refer to Note 16 for further discussion regarding the Convertible Notes.

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Note 3. Business Combination

Acquisition of GigPeak, Inc.

On April 4, 2017, the Company completed its purchase all of the outstanding shares of GigPeak, Inc, a publicly held company mainly operating in the United States, for approximately $250.1 million (the "Acquisition"). GigPeak was a global supplier of semiconductor integrated circuits and software solutions for high-speed connectivity and high-quality video compression over the network and the cloud. The Company funded the Acquisition from its available cash on hand and net proceeds from borrowings under its credit facility entered into on April 4, 2017 with JP Morgan Chase Bank, N.A. as administrative agent and the various lenders signatory thereto (the "Credit Agreement"). The Credit Agreement provides for a $200 million term loan facility (the "Initial Term B Loan"). Refer to Note 17 for details.

Total consideration consisted of the following:

(in thousands)	
Cash paid to GigPeak shareholders	$246,717
Fair value of partially vested employee equity awards related to pre-combination services	3,400
Total purchase price	250,117
Less: cash acquired	(9,001)
Total purchase price, net of cash acquired	$241,116

In connection with the Acquisition, the Company assumed unvested restricted stock units ("RSUs") originally granted by GigPeak and converted them into IDT RSUs. IDT included $3.4 million, representing the portion of the fair value of the assumed GigPeak unvested equity awards associated with service rendered through the date of the Acquisition, as a component of the total estimated acquisition consideration. As of April 4, 2017, the total unrecognized stock-based compensation expense, net of estimated forfeitures, was also $3.4 million, which is expected to be recognized over the remaining weighted average service period of 2.6 years. See Note 7 for details.

The Company allocated the preliminary purchase price to the tangible and intangible assets acquired and liabilities assumed based on their preliminary estimated fair values. The excess purchase price over those fair values was recorded as goodwill. Because the Acquisition was structured as a stock acquisition for income tax purposes, none of the asset step-up or asset recognition required by purchase accounting, including the goodwill described below, is deductible for tax purposes.

The fair value of accounts receivable, other current assets, accounts payable, and other accrued liabilities were generally determined using historical carrying values given the short-term nature of these assets and liabilities. The fair values for acquired inventory, property, plant and equipment and intangible assets were determined with the assistance of a third-party valuation using discounted cash flow analysis, and estimate made by management. The fair values of certain other assets and liabilities were determined internally using historical carrying values and estimates made by management. As additional information becomes available, the Company may revise preliminary purchase price allocation during the remainder of the measurement period (which will not exceed 12 months from the acquisition date). Any such revisions or changes may be material.

The financial results of the GigPeak business have been included in the Company’s Condensed Consolidated Statements of Operations from April 4, 2017, the closing date of the acquisition. The Company's results of operations for the first quarter of fiscal 2018 include $15.1 million of net revenues attributable to GigPeak. The Company incurred approximately $2.2 million of acquisition related costs for the first quarter of fiscal 2018 which were included in Selling, General and Administrative Expenses in the Condensed Consolidated Statements of Operations. Goodwill is primarily attributable to the assembled workforce of GigPeak, anticipated synergies and economies of scale expected from the operations of the combined company.

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The Company's preliminary purchase price allocation is as follows:

(in thousands)	Estimated Fair Value
Cash and cash equivalents	$9,001
Accounts receivable, net	14,703
Inventories	19,247
Prepayments and other current assets	2,641
Property, plant and equipment, net	2,434
Goodwill	113,192
Intangible assets, net	97,860
Deferred tax assets	6,714
Other assets	1,501
Accounts payable	(5,753)
Accrued compensation and related expenses	(3,154)
Other accrued liabilities	(3,512)
Other long-term liabilities	(4,757)
Total purchase price	$250,117

A summary of the preliminary estimated fair value of the intangible assets, net acquired and their estimated useful lives is as follows:

(in thousands)	Estimated Fair Value	Estimated Useful Life
Developed technology	$ 56,000	5 years
Customer contracts and related relationships	28,900	5 years
Order backlog	200	1 year
Software licenses	2,560	less than a year
In-process research and development ("IPR&D")	10,200	
Total	$ 97,860	

Identifiable Tangible Assets and Liabilities:

Assets and liabilities were reviewed and adjusted, if required, to their estimated fair value.

Inventory:

The value allocated to inventories reflects the estimated fair value of the acquired inventory based on the expected sales price of the inventory, less reasonable selling margin.

Property, Plant and Equipment:

The value allocated to plant, property and equipment, which will be used by the Company, represents the estimated price that would be realized upon sale to a market participant.

Intangible Assets:

The allocation of the purchase price to tangible and identified intangible assets acquired was based on the Company's best estimate of the fair value of such assets as of the acquisition date. The fair value of acquired tangible and identified intangible assets was determined based on inputs that are unobservable and significant to the overall fair value measurement.

Developed technology consists of GigPeak's products that have reached technological feasibility. The Company valued the developed technology utilizing a multi-period excess earnings (MPEE) method, which uses the discounted future earnings specifically attributed to this intangible asset that is in excess of returns for other assets that contributed to those earnings. The economic useful life was determined based on the technology cycle related to the products and its expected contribution to forecasted revenue. The Company utilized a discount rate of 16% in estimating the fair value of the developed technology.

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Customer relationships represent the fair value of future projected revenue that is expected to be derived from sales of products to existing customers of the acquired company. Customer contracts and related relationships value has been estimated utilizing a with-and-without method, which uses projected cash flows with and without the intangible asset in place. Cash flow differentials are then discounted to present value to arrive at an estimate of fair value for the asset. The economic useful life was determined based on the life of the developed technology, assuming that the existing customers will remain with the Company until the developed technology becomes obsolete. The Company utilized a discount rate of 17% in estimating the fair value of the customer relationships.

Order backlog represents business under existing contractual obligations as of the acquisition date. The fair value of backlog was determined using the MPEE method under the income approach based on expected operating cash flows from future contractual revenue. The economic useful life was determined based on the expected life of the backlog and the cash flows over the forecast period. The Company utilized a discount rate of 4.6% in estimating the fair value of the order backlog.

IPR&D represents the fair value of incomplete research and development projects that had not reached technological feasibility as of the date of acquisition. IPR&D consisted of various projects, which are expected to be completed in fiscal 2018. The estimated remaining costs to complete the IPR&D projects were approximately $7.5 million as of the acquisition date. The IPR&D projects will either be amortized or impaired depending upon whether the project is completed or abandoned. The fair value of IPR&D was determined using the MPEE method under the income approach. This method reflects the present value of the projected cash flows that are expected to be generated by the IPR&D less charges representing the contribution of other assets to those cash flows. A discount rate of 17% was used to discount the cash flows to the present value. The acquired IPR&D will not be amortized until completion of the related products which is determined by when the underlying projects reach technological feasibility and commence commercial production. Upon completion, each IPR&D project will be amortized over its estimated useful life.

Pro Forma Financial Information (unaudited):

The following unaudited pro forma financial information present combined results of operations for each of the periods presented, as if GigPeak had been acquired as of the beginning of fiscal year 2017. The pro forma financial information primarily includes the business combination effect of the amortization charges from acquired intangible assets, the amortization of the fair value inventory, interest expenses and the acquisition-related expenses. The pro forma data are for informational purposes only and are not necessarily indicative of the consolidated results of operations of the combined business had the acquisition actually occurred at the beginning of fiscal year 2017 or of the results of future operations of the combined business. Consequently, actual results will differ from the unaudited pro forma information presented below:

	Three Months Ended	
(Unaudited in thousands, except per share data)	July 2, 2017	July 3, 2016
Revenues	$196,713	$207,496
Net income	$22,869	$11,391
Basic net income per share	$0.17	$0.09
Diluted net income per share	$0.17	$0.08

Acquisition of Synkera Technologies, Inc.

On July 22, 2016, IDT purchased substantially all of the assets and liabilities of Synkera Technologies, Inc. (Synkera), a company engaged in developing and marketing metal oxide gas sensor technology, for total purchase consideration of approximately $2.8 million, of which $1.5 million was paid in cash at closing and $1.3 million was recorded as a liability representing the fair value of contingent cash consideration of up to $1.5 million. The contingent cash consideration will be paid based upon the achievement of certain milestones to be completed within 3.5 years from the date of acquisition.

Pro forma and historical results of operations for this acquisition have not been presented because the effect of the acquisition was not material to the Company's financial results.

Note 4. Divestitures (not accounted for as discontinued operations)

Fox Enterprises, Inc.

In the first quarter of fiscal 2017, the Company reclassified certain assets and liabilities of its wholly-owned subsidiary Fox Enterprises, Inc. (the "Disposal Group") as held for sale. As a result, the long-lived assets (comprised of goodwill, intangible assets and fixed assets) included in the Disposal Group were fully impaired and the Company recorded total impairment charge of $0.8 million during the quarter ended July 3, 2016.

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On October 3, 2016, the Company completed the sale of the Disposal Group for approximately $1.2 million and recorded a loss on divestiture (included in interest income and other, net in the Condensed Consolidated Statement of Operations) of approximately $0.7 million in fiscal 2017.

Note 5. Fair Value Measurements

The following table summarizes the Company's financial assets and liabilities measured at fair value on a recurring basis as of July 2, 2017:

(in thousands)	Fair Value at Reporting Date Using		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Total
Cash Equivalents and Short-Term Investments:			
US government treasuries and agencies securities	$73,475	$ —	$73,475
Money market funds	61,920	—	61,920
Asset-backed securities	—	14,516	14,516
Corporate bonds	—	107,609	107,609
International government bonds	—	5,415	5,415
Bank deposits	—	12,646	12,646
Repurchase agreement	—	38	38
Total assets measured at fair value	$135,395	$ 140,224	$275,619

The following table summarizes the Company's financial assets and liabilities measured at fair value on a recurring basis as of April 2, 2017:

(in thousands)	Fair Value at Reporting Date Using		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Total
Cash Equivalents and Short-Term Investments:			
US government treasuries and agencies securities	$61,556	$ —	$61,556
Money market funds	140,425	—	140,425
Asset-backed securities	—	13,847	13,847
Corporate bonds	—	96,376	96,376
International government bonds	—	5,410	5,410
Corporate commercial paper	—	4,898	4,898
Bank deposits	—	12,305	12,305
Repurchase agreements	—	173	173
Total assets measured at fair value	$201,981	$ 133,009	$334,990

The deferred compensation plan assets of $16.3 million and $16.0 million as of July 2, 2017 and April 2, 2017, are carried on the Condensed Consolidated Balance Sheets at their fair value which were determined on the basis of market prices observable for similar instruments and are considered Level 2 in the fair value hierarchy. See Note 15 for additional information on the Employee Benefit Plans.

The Convertible Notes are carried on the Condensed Consolidated Balance Sheets at their original issuance value including accreted interest, net of unamortized debt discount and issuance cost. The Convertible Notes are not marked to fair value at the end of each reporting period. The fair value of Convertible Notes was $399.4 million and $376.9 million as of July 2, 2017 and April 2, 2017, which was determined on the basis of market prices observable for similar instruments and is considered Level 2 in the fair value hierarchy. See Note 16 for additional information on the

Convertible Notes.

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As of July 2, 2017, the fair value of the Initial Term B Loan was $201.9 million. The Company classified the Initial Term B Loan as Level 2 fair value measurement hierarchy as the debt is not actively traded and has variable interest structure based upon market rates currently available to the Company for debt with similar terms and maturities. Refer to Note 17 for details.

U.S. government treasuries and U.S. government agency securities as of July 2, 2017 and April 2, 2017 do not include any U.S. government guaranteed bank issued paper.

The securities in Level 1 are highly liquid and actively traded in exchange markets or over-the-counter markets. Level 2 fixed income securities are priced using quoted market prices for similar instruments, non-binding market prices that are corroborated by observable market data. There were no transfers into or out of Level 1 or Level 2 financial assets during the three months ended July 2, 2017.

In connection with the acquisition of Synkera, a liability was recognized for the Company's estimate of the fair value of contingent consideration on the acquisition date based on probability-based attainment of certain milestones. This fair value measurement is based on significant inputs not observed in the market and thus represents a Level 3 measurement, which reflects the Company's own assumptions concerning the milestones related to the acquired business in measuring fair value. The fair value of the liability measured using significant unobservable inputs (Level 3) was approximately $1.3 million as of both July 2, 2017 and April 2, 2017.

Cash equivalents are highly liquid investments with original maturities of three months or less at the time of purchase. The Company maintains its cash and cash equivalents with reputable major financial institutions. Deposits with these banks may exceed the FDIC insurance limits or similar limits in foreign jurisdictions. These deposits typically may be redeemed upon demand and, therefore, bear minimal risk. While the Company monitors daily the cash balances in its operating accounts and adjusts the balances as appropriate, these balances could be affected if one or more of the financial institutions with which the Company deposits fails or is subject to other adverse conditions in the financial markets. As of July 2, 2017, the Company has not experienced any losses in its operating accounts.

All of the Company's available-for-sale investments are subject to a periodic impairment review. Investments are considered to be impaired when a decline in fair value is judged to be other-than-temporary. The Company did not record any impairment charges related to its available-for-sale investments in the three months ended July 2, 2017 and July 3, 2016.

Note 6. Investments

Available-for-Sale Securities

The amortized cost and fair value of available-for-sale investments as of July 2, 2017 were as follows:

(in thousands)	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. government treasuries and agencies securities	$73,974	$ 10	$ (509)	$73,475
Money market funds	61,920	—	—	61,920
Asset-backed securities	14,526	9	(19)	14,516
Corporate bonds	107,764	71	(226)	107,609
International government bonds	5,424	4	(13)	5,415
Bank deposits	12,646	—	—	12,646
Repurchase agreements	38	—	—	38
Total available-for-sale investments	276,292	94	(767)	275,619
Less amounts classified as cash equivalents	(61,958)	—	—	(61,958)
Short-term investments	$214,334	$ 94	$ (767)	$213,661

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The amortized cost and fair value of available-for-sale investments as of April 2, 2017 were as follows:

(in thousands)	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. government treasuries and agencies securities	$62,048	$ 16	$ (508)	$61,556
Money market funds	140,425	—	—	140,425
Asset-backed securities	13,865	5	(23)	13,847
Corporate bonds	96,660	42	(326)	96,376
International government bonds	5,423	2	(15)	5,410
Corporate commercial paper	4,898	—	—	4,898
Bank deposits	12,305	—	—	12,305
Repurchase agreements	173	—	—	173
Total available-for-sale investments	335,797	65	(872)	334,990
Less amounts classified as cash equivalents	(143,498)	—	—	(143,498)
Short-term investments	$192,299	$ 65	$ (872)	$191,492

The cost and estimated fair value of available-for-sale securities as of July 2, 2017, by contractual maturity, were as follows:

(in thousands)	Amortized Cost	Estimated Fair Value
Due in 1 year or less	$ 106,516	$ 106,505
Due in 1-2 years	59,650	59,527
Due in 2-5 years	110,126	109,587
Total investments in available-for-sale securities	$ 276,292	$ 275,619

The following table shows the gross unrealized losses and fair value of the Company’s investments with unrealized losses as of July 2, 2017, aggregated by investment category and length of time that individual securities have been in a continuous loss position.

	Less Than 12 Months		12 Months or Greater		Total	
(in thousands)	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Corporate bonds	$58,957	$ (226)	$ —	$ —	$58,957	$ (226)
Asset-backed securities	8,958	(19)	—	—	8,958	(19)
U.S. government treasuries and agencies securities	68,311	(509)	—	—	68,311	(509)
International government bonds	2,637	(13)	—	—	2,637	(13)
Total	$138,863	$ (767)	$ —	$ —	$138,863	$ (767)

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The following table shows the gross unrealized losses and fair value of the Company's investments with unrealized losses, as of April 2, 2017, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position.

	Less Than 12 Months		12 Months or Greater		Total	
(in thousands)	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Corporate bonds	$71,308	$ (326)	$ —	$ —	$71,308	$ (326)
Asset-backed securities	11,294	(23)	—	—	11,294	(23)
U.S. government treasuries and agencies securities	55,497	(508)	—	—	55,497	(508)
International government bonds	2,634	(15)	—	—	2,634	(15)
Total	$140,733	$ (872)	$ —	$ —	$140,733	$ (872)

Currently, a significant portion of the Company's available-for-sale investments that it holds are high grade instruments. As of July 2, 2017, the unrealized losses on the Company's available-for-sale investments represented an insignificant amount in relation to its total available-for-sale portfolio. Substantially all of the Company's unrealized losses on its available-for-sale marketable debt instruments can be attributed to fair value fluctuations in an unstable credit environment that resulted in a decrease in the market liquidity for debt instruments. Because the Company has the ability to hold these investments until a recovery of fair value, which may be maturity, the Company did not consider these investments to be other-than-temporarily impaired as of July 2, 2017 and April 2, 2017.

Non-marketable Equity Securities

As of July 2, 2017 and April 2, 2017, the Company holds capital stock of privately-held companies with total amount of $14.4 million and $13.2 million, respectively. These investments in stocks (included in Other Assets on the Condensed Consolidated Balance Sheet) are accounted for as cost-method investments, as the Company owns less than 20% of the voting securities and does not have the ability to exercise significant influence over operating and financial policies of each entity. The Company did not record any impairment charge for these investments during the three months ended July 2, 2017 and July 3, 2016.

Note 7. Stock-Based Employee Compensation

Equity Incentive Programs

The Company currently issues awards under two equity-based plans in order to provide additional incentive and retention to directors and employees who are considered to be essential to the long-range success of the Company. These plans are further described below.

2008 GigPeak Equity Incentive Plan (2008 Plan)

On April 4, 2017, as a result of the acquisition of GigPeak, the Company assumed the 2008 Plan, including outstanding and unvested RSUs of GigPeak that converted into the Company's RSUs covering 0.3 million shares of IDT's common stock and GigPeak shares reserved for future issuance under the 2008 Plan which converted into 0.5 million shares of IDT's common stock reserved for issuance under the 2008 Plan. As of July 2, 2017, there were 0.4 million shares available for future grant under the 2008 Plan.

2004 Equity Plan (2004 Plan)

In September 2004, the Company's stockholders approved the 2004 Plan. On July 21, 2010, the Board of Directors of the Company approved an amendment to the Company's 2004 Plan to increase the number of shares of common stock reserved for issuance thereunder from 28,500,000 shares to 36,800,000 shares (an increase of 8,300,000 shares), provided, however, that the aggregate number of common shares available for issuance under the 2004 Plan is reduced by 1.74 shares for each common share delivered in settlement of any full value award, which are awards other than stock options and stock appreciation rights, that are granted under the 2004 Plan on or after September 23, 2010. On September 23, 2010, the stockholders of the Company approved the proposed amendment described above, which also includes certain other changes to the 2004 Plan, including an extension of the term of the 2004 Plan. Options

granted by the Company under the 2004 Plan generally expire seven years from the date of grant and generally vest over a four -year period from the date of grant, with one-quarter of the shares of common stock vesting on the 1 year anniversary of the grant date and the remaining shares vesting monthly for the 36 months thereafter. The exercise price of the options granted by the Company under the 2004 Plan shall not be less than 100% of the fair market value for a common share subject to such option on the date the option is granted. Full value awards made under the 2004 Plan shall become vested over a

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period of not less than 3 years (or, if vesting is performance-based, over a period of not less than one year) following the date such award is made; provided, however, that full value awards that result in the issuance of an aggregate of up to 5% of common stock available under the 2004 Plan may be granted to any one or more participants without respect to such minimum vesting provisions. As of July 2, 2017, there were 5.7 million shares available for future grant under the 2004 Plan.

Compensation Expense

The following table summarizes stock-based compensation expense by line items appearing in the Company’s Condensed Consolidated Statements of Operations:

(in thousands)	Three Months Ended July 2, 2017	July 3, 2016
Cost of revenue	$632	$779
Research and development	5,963	4,308
Selling, general and administrative	5,225	5,428
Total stock-based compensation expense	$11,820	$10,515

The amount of stock-based compensation that was capitalized during the periods presented above was not material.

Stock Options

The following is a summary of the Company's stock option activity and related weighted average exercise prices for each category:

	Three Months Ended July 2, 2017	
(shares in thousands)	Shares	Price
Beginning stock options outstanding	1,374	$13.01
Exercised (1)	(89)	7.09
Canceled	(9)	24.60
Ending stock options outstanding	1,276	$13.35
Ending stock options exercisable	985	$11.94

(1) Upon exercise, the Company issues new shares of common stock.

As of July 2, 2017, the unrecognized compensation cost related to nonvested stock options, net of estimated forfeitures, was $0.5 million and will be recognized over a weighted-average period of 0.75 years.

As of July 2, 2017, stock options vested and expected to vest totaled approximately 1.3 million with a weighted-average exercise price of $13.21 and a weighted-average remaining contractual life of 3.50 years. The aggregate intrinsic value was approximately $15.7 million.

As of July 2, 2017, fully vested stock options totaled approximately 1.0 million with a weighted-average exercise price of $11.94 and a weighted-average remaining contractual life of 3.24 years. The aggregate intrinsic value was approximately $13.7 million.

Restricted Stock Units (RSUs)

RSUs granted by the Company under the 2004 Plan generally vest over a four-year period from the grant date with one-fourth of RSUs vesting on each one-year anniversary. As of July 2, 2017, 4.6 million and 0.3 million RSU awards were outstanding under the 2004 Plan and the 2008 Plan, respectively.

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The following table summarizes the Company's RSU activity and related weighted-average exercise prices for each category for the three months ended July 2, 2017:

	Three Months Ended July 2, 2017	
(shares in thousands)	Shares	Weighted-average grant date fair value per share
Beginning RSUs outstanding	3,843	$ 18.88
Assumed from GigPeak acquisition	328	23.62
Granted	2,030	23.83
Released	(1,137)	16.65
Forfeited	(137)	21.21
Ending RSUs outstanding	4,927	$ 21.69

As of July 2, 2017, RSUs expected to vest totaled approximately 4.1 million with a weighted-average remaining contract life of 1.72 years. The aggregate intrinsic value was approximately $104.5 million.

As of July 2, 2017, the unrecognized compensation cost related to RSUs granted under the Company’s equity incentive plan was approximately $58.3 million, net of estimated forfeitures, and is expected to be recognized over a weighted-average period of 1.84 years.

Performance-Based Stock Units

In fiscal 2013, the Compensation Committee of the Board of Directors of IDT approved the Company's Key Talent Incentive Plan (the "Incentive Plan"). The Incentive Plan provides for the grant of performance-based stock units under the 2004 Plan which vest and convert into one share of the Company's common stock based on the level of achievement of pre-established performance goals during a specified performance period. The initial performance period under the Incentive Plan is the Company's fourth quarter of fiscal 2013 through the fourth quarter of fiscal 2016 for which performance goals relate to cumulative revenue targets for a specific product group. The performance-based stock units that were granted under the Incentive Plan have vested in the first quarter of fiscal 2017 based on actual achievement of the performance goals, and the expense associated with that had been fully recognized as of July 3, 2016.

Market-Based Stock Units

In May 2017, under the 2004 Plan, the Company granted approximately 0.3 million shares of RSUs with both market-based and performance-based conditions to a group of executive-level employees. These equity awards vest and convert into shares of the Company’s common stock based on the achievement of the Company’s relative total shareholder return, with a revenue growth multiplier, over the performance period of 3 years. The earned stock units will vest in three equal installments, with the first installment of vesting to occur on May 15, 2018, the second to occur on May 15, 2019, and the third to occur on May 15, 2020.

In June 2016, under the 2004 Plan, the Company granted approximately 0.3 million shares of RSUs with a market-based condition to a group of executive-level employees. These equity awards vest and convert into shares of the Company’s common stock based on the achievement of the Company’s relative total shareholder return over the performance period of 2 years. The earned market-based stock units will vest in two equal installments, with the first installment of vesting to occur on June 15, 2018, and the second to occur on June 15, 2019.

In June 2015, under the 2004 Plan, the Company granted approximately 0.2 million shares of RSUs with a market-based condition to a group of executive-level employees. These equity awards vest and convert into shares of the Company’s common stock based on the achievement of the Company’s relative total shareholder return over the performance period of 2 years. The earned market-based stock units will vest in two equal installments, with the first installment of vesting occurred on June 15, 2017, and the second to occur on June 15, 2018.

In June 2014, under the 2004 Plan, the Company granted approximately 0.5 million shares of RSUs with a market-based condition to a group of executive-level employees. These equity awards vest and convert into shares of the Company’s common stock based on the achievement of the Company’s relative total shareholder return over the performance period of 2 years. The earned market-based stock units will vest in two equal installments, with the first

installment of vesting occurred on June 15, 2016, and the second occurred on June 15, 2017.
The fair value of each market-based stock unit award was estimated on the date of grant using a Monte Carlo simulation model that uses the assumptions noted in the table below. The Company uses historical data to estimate employee termination within the valuation model. The expected term in years was derived from the output of the valuation model and represents the period of time that restricted stock units granted are expected to be outstanding.

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The following weighted average assumptions were used to calculate the fair value of the market-based equity award using a Monte Carlo simulation model:

	May 15, 2017	June 15, 2016	June 15, 2015	June 15, 2014
Estimated fair value	$27.65	$28.01	$33.08	$21.00
Expected volatility	43.36 %	46.90 %	41.22 %	34.6 %
Expected term (in years)	2.88	1.80	1.80	1.80
Risk-free interest rate	1.47 %	0.70 %	0.65 %	0.38 %

As of July 2, 2017, the total market-based stock units outstanding were approximately 0.7 million.

As of July 2, 2017, market-based stock units vested and expected to vest totaled approximately 0.6 million with a weighted-average remaining contract life of 1.52 years. The aggregate intrinsic value was approximately $15.9 million.

As of July 2, 2017, the unrecognized compensation cost related to market-based stock units granted under the Company's equity incentive plans was approximately $11.6 million, net of estimated forfeitures, and is expected to be recognized over a weighted-average period of 1.57 years.

2009 Employee Stock Purchase Plan (2009 ESPP)

On June 18, 2009, the Board approved implementation of the 2009 Employee Stock Purchase Plan (2009 ESPP) and authorized the reservation and issuance of up to 9.0 million shares of the Company's common stock, subject to stockholder approval. On September 17, 2009, the Company's stockholders approved the plan at the 2009 Annual Meeting of Stockholders. The 2009 ESPP is intended to be implemented in successive quarterly purchase periods commencing on the first day of each fiscal quarter of the Company. In order to maintain its qualified status under Section 423 of the Internal Revenue Code, the 2009 ESPP imposes certain restrictions, including the limitation that no employee is permitted to participate in the 2009 ESPP if the rights of such employee to purchase common stock of the Company under the 2009 ESPP and all similar purchase plans of the Company or its subsidiaries would accrue at a rate which exceeds $25,000 of the fair market value of such stock (determined at the time the right is granted) for each calendar year. At the 2012 annual meeting of stockholders on September 13, 2012, the Company's stockholders approved an additional 5.0 million. The number of shares of common stock reserved for issuance thereunder increased from 9.0 million shares to 14.0 million shares.

Activity under the Company's ESPP for the three months ended July 2, 2017 is summarized in the following table:

(in thousands, except per share amounts)	
Number of shares issued	140
Average issuance price	$20.12
Number of shares available as of July 2, 2017	3,124

Note 8. Stockholders' Equity

Stock Repurchase Program. In the three months ended July 2, 2017 and July 3, 2016, the Company repurchased 1.4 million shares for $34.8 million and 1.5 million shares for $30.6 million, respectively. As of July 2, 2017, approximately $57.3 million was available for future purchase under the share repurchase program. Shares repurchased were recorded as treasury stock and resulted in a reduction of stockholder's equity. On July 28, 2017, the Company's Board of Directors approved an increase to the share repurchase authorization of $200 million.

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Note 9. Balance Sheet Detail

(in thousands)	July 2, 2017	April 2, 2017
Inventories, net		
Raw materials	$3,142	$2,017
Work-in-process	44,014	35,192
Finished goods	24,215	15,079
Total inventories, net	$71,371	$52,288
Accounts receivable, net		
Accounts receivable, gross	$110,331	$94,396
Allowances	(6,898)	(5,084)
Total accounts receivable, net	$103,433	$89,312
Property, plant and equipment, net		
Land	$11,535	$11,535
Machinery and equipment	274,217	268,683
Building and leasehold improvements	49,484	49,022
Total property, plant and equipment, gross	335,236	329,240
Less: accumulated depreciation (1)	(250,540)	(248,279)
Total property, plant and equipment, net	$84,696	$80,961

Other accrued liabilities		
Accrued restructuring costs (2)	$5,358	$4,841
Other (3)	15,485	15,364
Total other accrued liabilities	$20,843	$20,205

Other long-term obligations		
Deferred compensation related liabilities	$16,166	$15,024
Other (4)	6,957	3,870
Total other long-term liabilities	$23,123	$18,894

(1) Depreciation expense was $6.1 million and $5.2 million for the three months ended July 2, 2017 and July 3, 2016, respectively.
(2) Includes accrued severance costs related to integration, the disposed HSC business, and other restructuring actions. Refer to Note 13 for additional information.
(3) Other current liabilities consist primarily of accrued royalties and outside commissions, current portion of deferred revenue, current portion of supplier obligations, current portion of capital lease payable, and other accrued unbilled expenses.
(4) Other long-term obligations consist primarily of liability for contingent consideration payment, non-current portion of deferred revenue and other long-term accrued liabilities.

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Note 10. Deferred Income on Shipments to Distributors

Included in the caption "Deferred income on shipments to distributors" on the Condensed Consolidated Balance Sheets are amounts related to shipments to certain distributors for which revenue is not recognized until the Company's product has been sold by the distributor to an end customer. The components of deferred income on shipments to distributors as of July 2, 2017 and April 2, 2017 are as follows:

(in thousands)	July 2, 2017	April 2, 2017
Gross deferred revenue	$2,837	$2,335
Gross deferred costs	(619)	(350)
Deferred income on shipments to distributors	$2,218	$1,985

The gross deferred revenue represents the gross value of shipments to distributors at the list price billed to the distributor less any price protection credits provided to them in connection with reductions in list price while the products remain in their inventory. The amount ultimately recognized as revenue will be lower than this amount as a result of ship from stock pricing credits which are issued in connection with the sell through of the Company's products to end customers. Based on the last four quarters, this amount has ranged from an average of approximately 25% to 31% of the list price billed to the customer. The gross deferred costs represent the standard costs (which approximate actual costs) of products the Company sells to the distributors. Although the Company monitors the levels and quality of inventory in the distribution channel, the Company's experience is that products returned from these distributors may be sold to a different distributor or in a different region of the world. As such, inventory write-downs for products in the distribution channel have not been significant.

Note 11. Accumulated Other Comprehensive Income (Loss)

Changes in accumulated other comprehensive income (loss) by component, net of tax, for the three months ended July 2, 2017 consisted of the following:

(in thousands)	Cumulative translation adjustments	Unrealized gain or loss on available-for-sale investments	Pension adjustments	Total
Balance, April 2, 2017	$ (6,043)	$ (807)	$ 65	$(6,785)
Other comprehensive income before reclassifications	1,403	120	—	1,523
Amounts reclassified out of accumulated other comprehensive loss	—	14	—	14
Net current-period other comprehensive income gain	1,403	134	—	1,537
Balance as of July 2, 2017	$ (4,640)	$ (673)	$ 65	$(5,248)

Comprehensive income components consisted of:

(in thousands)	Three Months Ended July 2, 2017	Location
Unrealized holding loss on available-for-sale investments	$ 14	interest and other, net

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Note 12. Goodwill and Intangible Assets, Net

Goodwill balances by reportable segment as of July 2, 2017 and April 2, 2017 are as follows:

	Reportable Segments		
(in thousands)	Communications	Computing, Consumer and Industrial	Total
Balance as of April 2, 2017	$122,687	$ 184,238	$306,925
Additions - GigPeak acquisition (see Note 3)	18,613	94,579	113,192
Balance as of July 2, 2017	$141,300	$ 278,817	$420,117

Goodwill balances as of July 2, 2017 and April 2, 2017 were net of $920.3 million in accumulated impairment losses.

Intangible asset balances as of July 2, 2017 and April 2, 2017 are summarized as follows:

	July 2, 2017		
(in thousands)	Gross Assets	Accumulated Amortization	Net Assets
Purchased intangible assets:			
Developed technology	$318,184	$ (205,583)	$112,601
Trademarks	5,391	(5,391)	—
Customer relationships	201,997	(140,289)	61,708
Intellectual property licenses	14,886	(4,860)	10,026
Software license	3,063	(2,307)	756
Order backlog	200	(50)	150
Total amortizable purchased intangible assets	543,721	(358,480)	185,241
In-process research and development	10,200	—	10,200
Total purchased intangible assets	$553,921	$ (358,480)	$195,441

	April 2, 2017		
(in thousands)	Gross Assets	Accumulated Amortization	Net Assets
Purchased intangible assets:			
Developed technology	$262,184	$ (199,851)	$62,333
Trademarks	5,391	(5,347)	44
Customer relationships	173,097	(137,239)	35,858
Intellectual property licenses	16,196	(5,613)	10,583
Total purchased intangible assets	$456,868	$ (348,050)	$108,818

As a result of the acquisition of GigPeak, the Company recognized additional intangible assets with fair value of $97.9 million during the three months ended July 2, 2017 (see Note 3). During the first quarter of fiscal 2018, the Company recorded an accelerated amortization charge of $2.0 million related to certain software licenses as the estimated future cash flows expected resulting from the use of the assets were less than the carrying amount.

Amortization expense for the three months ended July 2, 2017 and July 3, 2016 was $11.7 million and $6.1 million, respectively.

The intangible assets are being amortized over estimated useful lives of 1 to 7 years.

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Based on the intangible assets recorded at July 2, 2017, and assuming no subsequent additions to or impairment of the underlying assets, the remaining estimated amortization expense is expected to be as follows (in thousands):

Fiscal Year	Amount
2018 (Remaining 9 months)	$28,017
2019	36,943
2020	36,688
2021	36,317
2022 and thereafter	47,276
Total amortizable purchased intangible assets	185,241
In-process research and development	10,200
Total intangible assets	$195,441

Note 13. Restructuring

The following table shows the provision of the restructuring charges and the liability remaining as of July 2, 2017:

(in thousands)	Continuing Operations	HSC (Discontinued Operations)	Total
Balance as of April 2, 2017	$ 3,414	$ 1,427	$4,841
Provision	653	—	653
Payments and other adjustments	(136)	—	(136)
Balance as of July 2, 2017	$ 3,931	$ 1,427	$5,358

As part of an effort to streamline operations with changing market conditions and to create a more efficient organization, the Company has undertaken restructuring actions to reduce its workforce and consolidate facilities. The Company's restructuring expenses consist primarily of severance and termination benefit costs related to the reduction of its workforce.

Integration-related Restructuring Plan

During fiscal 2017, the Company prepared a workforce-reduction plan with respect to employees of its Automotive and Industrial business (formerly ZMDI) in Germany. The plan which required consultation with the German Works Council, was approved by the German Works Council. Also, the details of the plan were communicated to the affected employees. The plan identified the number of employees to be terminated, their job classification or function, their location and the date that the plan is expected to be completed. The plan also established the terms of the benefit arrangement in sufficient detail to enable the employees to determine the type and amount of benefits that they would receive if terminated. In addition, the actions required to complete the plan indicated that it was unlikely that substantial changes to the plan would be made after communication of the employees. Accordingly, the Company accrued restructuring charges in accordance with ASC 420, Exit and Disposal Cost Obligations. Approximately $4.9 million of the $5.0 million was paid during fiscal 2017 and the remaining $0.1 million will be paid by the second quarter of fiscal 2018.

Radio Frequency Business

During fiscal 2017, the Company prepared a workforce-reduction plan with respect to employees of its Radio Frequency business in France. The plan which sets forth the general parameters, terms and benefits for employee dismissals, was submitted to the French Works Council. The Company initially determined that an ongoing benefit arrangement existed as the affected employees are being protected under the provisions of prior plan and the minimum statutory requirement. Subsequent to this, the Company and the affected employees signed agreements with regards to the timing and payment of severance benefits. As of July 2, 2017, the total accrued balance for employee severance costs related to this action was $2.9 million. The Company expects to complete this action by December 31, 2017.

HSC Business

During fiscal 2015, the Company prepared a workforce-reduction plan with respect to employees of its HSC business in France and the Netherlands. The Company has substantially completed payments of these termination benefits and

the total accrued balance related to this action was $1.4 million as of July 2, 2017. The Company expects to complete this action by December 2017.

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Other

During the three months ended July 2, 2017, the Company recorded restructuring charges of $0.7 million and reduced headcount by 16 employees. Approximately $0.1 million was paid during the current quarter and the remaining balance will be paid by the second quarter of fiscal 2018.

During fiscal 2017, the Company recorded charges of $4.0 million and reduced headcount by 59 employees. As of July 2, 2017, the total accrued balance for employee severance costs related to these actions was $0.3 million. The Company expects to complete these actions by the second quarter of fiscal 2018.

Note 14. Commitments and Contingencies

Warranty

The Company maintains an accrual for obligations it incurs under its standard product warranty program and customer, part, or process specific matters. The Company's standard warranty period is one year, however in certain instances the warranty period may be extended to as long as two years. Management estimates the fair value of the Company's warranty liability based on actual past warranty claims experience, its policies regarding customer warranty returns and other estimates about the timing and disposition of product returned under the standard program. Customer, part, or process specific accruals are estimated using a specific identification method. Historical profit and loss impact related to warranty returns activity has been minimal. The total warranty accrual was $0.8 million and $0.3 million as of July 2, 2017 and April 2, 2017.

Litigation

On February 13, 2017, the Company and GigPeak announced that they had entered into an Agreement and Plan of Merger, dated as of February 13, 2017. On February 17, 2017, a purported class action was filed in Santa Clara County Superior Court, (Carbajal v. GigPeak, Inc., et al, Case No. 17-cv-306571). On March 8, 2017, a purported class action was filed in the United States District Court of Delaware (Vladimir Gusinsky Rev. Trust v. GigPeak, Case No. 1:17-cv-00241-VAC SRF). On March 13, 2017, a purported class action was filed in the United States District Court for the Northern District of California (Mendoza v. Gigpeak, Inc. et al, Case No. 3;17-cv-01351-WHO). On March 16, a second purported class action was filed in the United States District Court for the Northern District of California (Travis v. GigPeak, Inc. et al, Case No. 5:17-cv-01441-LKH). The Company was named as a defendant in the Carbajal and Gusinsky complaints. The Carbajal complaint asserted claims for breach of fiduciary duty and aiding and abetting breach of fiduciary duty, including that defendants have failed to secure adequate deal consideration as well as various other breaches of duty. The Gusinsky, Travis and Mendoza complaints asserted claims under Sections 14(d)(4), 14(e) and 20(a) of the Exchange Act. The Gusinsky, Mendoza and Travis complaint alleged that the Schedule 14D-9 filed by GigPeak contained material omissions and misstatements, and sought to enjoin and/or rescind the Offer as well as certain other equitable relief, unspecified damages and attorneys' fees and costs. The Carbajal complaint was voluntarily dismissed on March 7, 2017. Each of the remaining complaints was voluntarily dismissed by Plaintiffs on or around April 7, 2017, and the actions were closed by the Court on or around May 15, 2017 after Plaintiffs' fees were agreed to by the parties.

In November 2016, North Star Innovations, Inc. ("NSI"), an IP licensing non-practicing entity and subsidiary of Wi-Lan, Inc., filed a complaint against the Company in the federal courts of the Central District of California, alleging the Company infringed three U.S. patents assigned to and owned by NSI. The Company did not file an Answer or other responsive pleading in this litigation. On or about January 13, 2017, RPX Corporation, a membership-based defensive patent aggregator, entered a license agreement with NSI, to which the Company is a beneficiary based on the Company's membership in RPX. Based on this license, the Company and NSI signed a Release Agreement effective January 31, 2017, releasing the Company from liability under the claims for infringement of the three asserted patents. On January 31, 2017, the court ordered the litigation against IDT to be formally dismissed.

In January 2012, Maxim I Properties, a general partnership that had purchased a certain parcel of real property (the Property) in 2003, filed a complaint in the Northern District of California naming approximately 30 defendants, including the Company ("Defendants"), alleging various environmental violations of the federal Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) and Resource Conservation and Recovery Act

(RCRA), the California Hazardous Substance Account Act (HSAA), and other common law claims (the Complaint). The Complaint alleged that Defendants including the Company "…generated, transported, and/or arranged for the transport and/or disposal of hazardous waste to the Property." On August 15, 2012, Maxim I Properties voluntarily dismissed its Complaint without prejudice. However, another defendant, Moyer Products, Inc., counter-claimed against the plaintiff, Maxim, and cross-claimed against the remaining co-Defendants, including the Company. Thus, the Company remains a cross-defendant in this action.

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In a related, but independent action, the California Department of Toxic Substances Control (DTSC) notified the Company in September 2012 that the Company, and more than 50 other entities, were being named as respondents to DTSC's Enforcement Order, as “a generator of hazardous waste.” In April 2013, the Company, along with the other “respondent” parties, entered into a Corrective Action Consent Agreement (CACA) with the DTSC, agreeing to conduct the Property investigation and corrective action selection. The CACA supersedes the DTSC's Enforcement Order. The District Court for the Northern District of California stayed the Maxim/Moyer litigation pending the Property investigation under the CACA and DTSC's corrective action selection.

Property investigation activity took place between April 2013 and June 2015. On June 23, 2015, the DTSC deemed the Property investigation complete. The DTSC continues to evaluate corrective action alternatives. The Company will continue to vigorously defend itself against the allegations in the Complaint and evaluate settlement options with Moyer upon notification from DTSC of its corrective action selection. No specific corrective action has been selected yet, and thus no specific monetary demands have been made. Accordingly, an estimate of contingent loss, if any, related to this action cannot be made.

The Company may also be a party to various other legal proceedings and claims arising in the normal course of business from time to time. With regard to these or future litigation matters that may arise, potential liability and probable losses or ranges of possible losses due to an unfavorable litigation outcome cannot be reasonably estimated at this time. Generally, litigation is subject to inherent uncertainties, and no assurance can be given that the Company will prevail in the Maxim lawsuit or any other particular lawsuit or claim. Pending lawsuits, claims as well as potential future litigation, could result in substantial costs and diversion of resources and could have a material adverse effect on the Company's financial condition, results of operations or cash flows.

Note 15. Employee Benefit Plans

401(k) Plan

The Company sponsors a 401(k) retirement matching plan for qualified domestic employees. The Company recorded expenses of approximately $0.8 million and $1.1 million in matching contributions under the plan during the three months ended July 2, 2017 and July 3, 2016, respectively.

Deferred Compensation Plans

Effective November 1, 2000, the Company established an unfunded deferred compensation plan to provide benefits to executive officers and other key employees. Under the plan, participants can defer any portion of their salary and bonus compensation into the plan and may choose from a portfolio of funds from which earnings are measured. Participant balances are always 100% vested. As of July 2, 2017 and April 2, 2017, obligations under the plan totaled approximately $16.2 million and $15.0 million. Additionally, the Company has set aside assets in a separate trust that is invested in corporate owned life insurance intended to substantially fund the liability under the plan. As of July 2, 2017 and April 2, 2017, the deferred compensation plan assets were approximately $16.3 million and $16.0 million respectively.

International Employee Benefit Plans

The Company sponsors defined-benefit pension plans, defined-contribution plans, multi-employer plans and other post-employment benefit plans covering employees in certain of the Company's international locations. As of July 2, 2017 and April 2, 2017, the net liability for all of these international benefit plans totaled $0.9 million and $0.7 million, respectively.

Note 16. Convertible Senior Notes, Warrants and Hedges

Convertible Notes Offering

On October 29, 2015, the Company priced its private offering of $325 million in aggregate principal amount of 0.875% Convertible Senior Notes due 2022 ("Initial Convertible Notes"). On November 3, 2015, the initial purchasers in such offering exercised in full the over-allotment option to purchase an additional $48.8 million in aggregate principal amount of Convertible Notes (“Additional Convertible Notes”, and together “Convertible Notes”). The aggregate principal amount of Convertible Notes is $373.8 million. The net proceeds from this offering were approximately $363.4 million, after deducting the initial purchasers’ discounts and commissions and the offering expenses.

The Convertible Notes are governed by the terms of an indenture, dated November 4, 2015 (“Indenture”), between the Company and a trustee. The Convertible Notes are the senior unsecured obligations of the Company and bear interest at a rate of 0.875% per annum, payable semi-annually in arrears on May 15 and November 15 of each year, commencing May 15, 2016. The Convertible Notes will mature on November 15, 2022, unless earlier repurchased or converted. At any time prior to the close of business on the business day immediately preceding August 15, 2022, holders may convert their Convertible Notes at their option only under the certain circumstances as defined in the Indenture. On or after August 15, 2022 until the close of business on the second scheduled trading day immediately preceding the maturity date, holders may convert their notes at any time, regardless of such circumstances.

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The conversion rate for the Convertible Notes will initially be 29.8920 shares of common stock per $1,000 principal amount of Convertible Notes, which corresponds to an initial conversion price of approximately $33.45 per share of common stock. The conversion rate is subject to adjustment from time to time upon the occurrence of certain events, including, but not limited to, the issuance of certain stock dividends on common stock, the issuance of certain rights or warrants, subdivisions, combinations, distributions of capital stock, indebtedness, or assets, the payment of cash dividends and certain issuer tender or exchange offers.

As of July 2, 2017, none of the conditions allowing holders of the Convertible Notes to convert had been met.

At the debt issuance date, the Convertible Notes, net of issuance costs, consist of the following (in thousands):

	November 3, 2015
Liability component	
Principal	$274,435
Less: Issuance cost	(7,568)
Net carrying amount	266,867
Equity component *	
Allocated amount	99,316
Less: Issuance cost	(2,738)
Net carrying amount	96,578
Convertible Notes, net	$363,445

* Recorded in the consolidated balance sheet within additional paid-in capital.

The following table includes total interest expense recognized related to the Convertible Notes during the three month period ended July 2, 2017 and July 3, 2016 (in thousands):

	Three Months Ended July 2, 2017	Three Months Ended July 3, 2016
Contractual interest expense	$ 827	$ 818
Amortization of debt issuance costs	270	270
Amortization of debt discount	3,166	2,998
	$ 4,263	$ 4,086

The net liability component of Convertible Notes is comprised of the following as of July 2, 2017 (in thousands):

Net carrying amount as of April 2, 2017	$285,541
Amortization of debt issuance costs during the period	270
Amortization of debt discount during the period	3,166
Net carrying amount as of July 2, 2017	$288,977

During the three months ended July 2, 2017 and July 3, 2016, the Company paid contractual interest on the Convertible Note of approximately $1.6 million and $1.7 million, respectively.

See Note 5 to the Company's condensed consolidated financial statements for fair value disclosures related to the Company's Convertible Notes.

Convertible Note Hedge and Warrant Transactions

In connection with the pricing of the Convertible Notes, on October 29, 2015, the Company entered into convertible note hedge transaction (the "Initial Bond Hedge"), with JPMorgan Chase Bank, National Association (the “Option Counterparty”) and paid $81.9 million.

On October 29, 2015, the Company also entered into separate warrant transaction (the "Initial Warrant Transaction") with the Option Counterparty and received $49.4 million.

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In connection with the exercise of the Over-Allotment Option, on November 3, 2015, the Company entered into a convertible note hedge transaction (the "Additional Bond Hedge", and together with the Initial Bond Hedges, the "Bond Hedge") with the Option Counterparty and paid $12.3 million. On November 3, 2015, the Company also entered into separate additional warrant transaction (the "Additional Warrant Transaction", and together with the Initial Warrant Transaction, the "Warrant Transactions") with the Option Counterparty and received $7.4 million. Total amount paid for the purchase of bond hedge and total amount received for the sale of warrants were $94.2 million and $56.8 million, respectively.

The Bond Hedges are generally expected to reduce the potential dilution upon conversion of the Convertible Notes and/or offset any payments in cash, shares of common stock or a combination of cash and shares of common stock, at the Company's election, that the Company is required to make in excess of the principal amount of the Convertible Notes upon conversion of any Convertible Notes, as the case may be, in the event that the market price per share of common stock, as measured under the terms of the Bond Hedges, is greater than the strike price $33.45 of the Bond Hedges, which initially corresponds to the conversion price of the Convertible Notes and is subject to anti-dilution adjustments substantially similar to those applicable to the conversion rate of the Convertible Notes. The Warrant Transactions will separately have a dilutive effect to the extent that the market value per share of common stock, as measured under the terms of the Warrant Transactions, exceeds the applicable strike price of the warrants issued pursuant to the Warrant Transactions (the "Warrants"). The initial strike price of the Warrants is $48.66 per share. The Bond Hedges and Warrants are not marked to market. The value of the Bond Hedges and Warrants were initially recorded in stockholders' equity and continue to be classified as stockholders' equity in accordance with ASC 815-40, Derivatives and Hedging - Contracts in Entity's Own Equity. As of July 2, 2017 and April 2, 2017, no warrants have been exercised.

Note 17. Term B Loan

On April 4, 2017, the Company, JP Morgan Chase bank, N.A.("JP Morgan") as administrative agent and a group of lenders entered into a credit agreement that provides for variable rate term loans in aggregate principal amount of $200 million, with an original term of 7 years (the "Initial Term B Loan"). After payment of transaction costs associated with the Credit Agreement, the Company received net proceeds from the Initial Term B Loan of approximately $194.3 million, which was used to partially finance the acquisition of GigPeak and other payments related to such transaction. Debt issuance costs and debt discount were recorded as a reduction of the carrying value of the loan and are being amortized as a component of interest expense over the term of the Credit Agreement.

The Company will repay the principal amount of the Initial Term B Loan on the last day of each March 31, June 30, September 30 and December 31, commencing on June 30, 2017, in an amount equal to 0.25% of the original principal amount of the Initial Term B Loan; and on the maturity date, as described below, in an amount equal to the remainder of the outstanding principal amount of the Initial Term B Loan.

The maturity date of the Initial Term B Loan is April 4, 2024; provided that if any of the Company's Convertible Notes are outstanding on August 16, 2022, the maturity date of which had not otherwise been extended to a date that is no earlier than 91 days after April 4, 2024, the Initial Term B Loan maturity date shall instead be August 16, 2022, unless the Company and its guarantors shall have cash, permitted investments and/or unwithdrawn revolving credit commitments in an aggregate amount not less than the aggregate principal amount of then outstanding Convertible Notes. The Company may prepay the Initial Term B Loan, in whole or in part, at any time without premium or penalty, subject to certain conditions, and amounts repaid or prepaid may not be reborrowed. The interest rate of the Initial Term B Loan is based on adjusted LIBO rate which is equal to the LIBO rate for such interest period multiplied by statutory reserve rate, plus an applicable margin of 3%. For the initial three-month period through June 30, 2017, the interest rate on the Initial Term B Loan is approximately 4.15%.

The following table summarizes the outstanding borrowings from the Initial Term B Loan as of July 2, 2017:

(in thousands)	July 2, 2017

Outstanding principal balance	$199,500
Unamortized debt issuance costs and debt discount	(5,543)
Outstanding principal, net of unamortized debt issuance costs and debt discount	$193,957
Classified as follows:	
Current portion of long-term debt	$2,000
Long-term debt	$191,957

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As of July 2, 2017, the Company made payment totaling $0.5 million towards the outstanding principal balance of the Initial Term B Loan. The following table includes the total interest expense related to the Term B Loan recognized during the three months ended July 2, 2017:

(in thousands)	Three Months Ended July 2, 2017
Contractual interest expense	$ 2,106
Amortization of debt issuance costs and debt discount	205
Total	$ 2,311

The Credit Agreement contains customary affirmative and negative covenants, including covenants that limit or restrict the Company and its subsidiaries' ability to, among other things, incur indebtedness, grant liens, merge or consolidate, dispose of assets, make investments, make acquisitions, enter into transactions with affiliates, pay dividends or make distributions and repurchase stock. The Credit Agreement includes customary events of default, including among others, nonpayment of principal or interest, material inaccuracy of representations and failure to comply with covenants. Under certain circumstances, a default interest rate will apply on all overdue obligations under the Credit Agreement at a per annum rate equal to 2.00% above the applicable interest rate for any overdue principal and 2.00% above the rate applicable for base rate loans for any other overdue amounts. The occurrence of an event of default could result in the acceleration of obligations under the Credit Agreement. As of July 2, 2017, the Company is in compliance with the covenants specified in the Credit Agreement.

See Note 5 to the Company's condensed consolidated financial statements for fair value determination related to the Company's Initial Term B Loan.

Note 18. Income Taxes

During the three months ended July 2, 2017 and July 3, 2016, the Company recorded an income tax benefit of $1.0 million and $3.6 million, respectively. The income tax benefit recorded in the three months ended July 2, 2017 was primarily due to the benefit from research and development tax credits and excess tax benefits from stock based compensation. The income tax benefit recorded in the three months ended July 3, 2016 was primarily due to the tax benefit on severance costs.

As of July 2, 2017, the Company continues to maintain a valuation allowance against the Company's net deferred tax assets in certain foreign and state jurisdictions, as the Company is not able to conclude that it is more likely than not that these deferred tax assets will be realized. The Company reached this decision based on judgment, which included consideration of historical operating results and projections of future profits. The Company will continue to monitor the need for the valuation allowance on a quarterly basis.

In fiscal year 2016, after examination of the Company's projected offshore cash flows, and global cash requirements, the Company determined that it would no longer require 100% of its future foreign generated cash to support its foreign operations. The Company plans to continue to repatriate a portion of its offshore earnings generated after March 29, 2015 to the U.S. for domestic operations, and has accrued for the related tax impacts accordingly. For earnings accumulated as of March 29, 2015, the Company continues to indefinitely reinvest such amounts in its foreign jurisdictions, except to the extent there is any previously taxed income which is expected to be repatriated. If circumstances change and it becomes apparent that some or all of those undistributed earnings of the Company's offshore subsidiary will be remitted in the foreseeable future but income taxes have not been recognized, the Company will accrue income taxes attributable to that remittance.

The Company benefits from tax incentives granted by local tax authorities in certain foreign jurisdictions. In the fourth quarter of fiscal 2011, the Company agreed with the Malaysia Industrial Development Board to enter into a new tax incentive agreement which is a full tax exemption on statutory income for a period of 10 years commencing April 4, 2011. This tax incentive agreement is subject to the Company meeting certain financial targets, investments,

headcounts and activities in Malaysia.

As of July 2, 2017, the Company is under examination in Malaysia for fiscal years 2012 through 2015, in India for fiscal year 2015, and in the state of New York for fiscal years 2013 through 2016. Although the final outcome of each examination is uncertain, based on currently available information, the Company believes that the ultimate outcome will not have a material adverse effect on its financial position, cash flows or results of operations.

The Company's open years in the U.S. federal jurisdiction are fiscal 2014 and later years. In addition, the Company is effectively subject to federal tax examination adjustments for tax years ended on or after fiscal year 1999, in that the Company has tax attribute carryforwards from these years that could be subject to adjustments, if and when utilized. The Company's open years in various state and foreign jurisdictions are fiscal years 2010 and later.

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The Company does not expect a material change in unrecognized tax benefits within the next twelve months.

Note 19. Segment Information

The Chief Operating Decision Maker is the Company’s President and Chief Executive Officer.

The Company's reportable segments include the following:

- Communications segment: includes clock and timing solutions, flow-control management devices including Serial RapidIO ® switching solutions, multi-port products, telecommunications products, high-speed static random access memory, first in and first out memory (FIFO), digital logic, radio frequency, and frequency control solutions.
- Computing, Consumer and Industrial segment: includes clock generation and distribution products, high-performance server memory interfaces, PCI Express switching solutions, power management solutions, signal integrity products, video distribution and contribution solutions and sensing products for mobile, automotive and industrial solutions.

The tables below provide information about these segments:

Revenues by segment	Three Months Ended	
(in thousands)	July 2, 2017	July 3, 2016
Communications	$57,826	$79,097
Computing, Consumer and Industrial	138,887	113,031
Total revenues	$196,713	$192,128

Income by segment	Three Months Ended	
(in thousands)	July 2, 2017	July 3, 2016
Communications	19,272	28,738
Computing, Consumer and Industrial	30,411	23,042
Unallocated expenses:		
Amortization of intangible assets	(10,841)	(5,775)
Inventory fair market value adjustment	(4,081)	(2,395)
Assets impairment and other	—	(870)
Stock-based compensation expense	(11,820)	(10,515)
Severance, retention and facility closure costs	(653)	(11,937)
Acquisition-related costs and other	(2,225)	—
Deferred compensation plan expense, net	(52)	(11)
Interest expense and other, net	(4,279)	(2,888)
Income before income taxes	$15,732	$17,389

The Company does not allocate goodwill and intangible assets impairment charge, IPR&D, severance and retention costs, acquisition-related costs, stock-based compensation, interest income and other, and interest expense to its segments. In addition, the Company does not allocate assets to its segments. The Company excludes these items consistent with the manner in which it internally evaluates its results of operations.

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Revenues from unaffiliated customers by geographic area, based on the customers' shipment locations, were as follows:

(in thousands)	Three Months Ended	
	July 2, 2017	July 3, 2016
Hong Kong	$63,888	$73,928
Rest of Asia Pacific	82,698	74,763
Americas (1)	25,795	20,453
Europe	24,332	22,984
Total revenues	$196,713	$192,128

(1) The revenues from the customers in the U.S. were $22.1 million and $18.7 million in the three months ended July 2, 2017 and July 3, 2016, respectively.

The Company utilizes global and regional distributors around the world, that buy products directly from the Company on behalf of their customers. One distributor, Avnet and its affiliates accounted for 11% of the Company's revenues in the three months ended July 2, 2017. One direct original equipment manufacturer (OEM) customer, Samsung Electronics accounted for 11% of the Company's revenues in the three months ended July 2, 2017. Two distributors, Uniquest and Avnet and its affiliates accounted for 13% and 11%, respectively, of the Company's revenues in the three months ended July 3, 2016.

As of July 2, 2017, two distributors represented approximately 13% and 10% of the Company’s gross accounts receivable. As of April 2, 2017, two distributors represented approximately 11% and 10%, respectively, of the Company’s gross accounts receivable.

The Company’s significant operations outside of the United States include a test facility in each of Malaysia and Germany, design centers in the U.S., Canada and China, and sales subsidiaries in APAC and Europe. The Company's net property, plant and equipment are summarized below by geographic area:

(in thousands)	July 2, 2017	April 2, 2017
United States	$40,863	$37,996
Malaysia	25,760	24,386
Germany	11,654	12,477
Canada	3,604	3,512
All other countries	2,815	2,590
Total property, plant and equipment, net	$84,696	$80,961

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Note 20. Interest Income and Other, Net

The components of interest income and other, net are summarized as follows:

(in thousands)	Three Months Ended	
	July 2, 2017	July 3, 2016
Interest income	$757	$600
Other income, net	2,225	1,052
Interest income and other, net	$2,982	$1,652

Interest income is derived from earnings on cash and short term investments. Other income, net primarily consists of gains or losses in the value of deferred compensation plan assets, foreign currency gains or losses and other non-operating gains or losses.

Note 21. Subsequent Event

On July 28, 2017, the Company's Board of Directors approved an increase to the share repurchase authorization of $200 million.

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

This report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act). Any statements contained herein that are not statements of historical facts may be deemed to be forward-looking. Forward-looking statements, which are generally identified by words such as “anticipates,” “expects,” “plans,” “intends,” “seeks,” “targets,” “believes,” “can,” “may,” “might,” “could,” “should,” “would,” “will” and similar terms, include statements related to, among revenues and gross profit, research and development activities, selling, general and administrative expenses, restructuring costs, intangible expenses, interest income and other, taxes, capital spending and financing transactions, as well as statements regarding successful development and market acceptance of new products, industry and overall economic conditions and demand, and capacity utilization. Forward-looking statements are based upon current expectations, estimates, forecasts and projections that involve a number of risks and uncertainties. These risks and uncertainties include, but are not limited to: global business and economic conditions; operating results; new product introductions and sales; competitive conditions; capital expenditures and resources; manufacturing capacity utilization; customer demand and inventory levels; product performance; intellectual property matters; mergers and acquisitions and integration activities; and the risk factors set forth in Part II, Item 1A, “Risk Factors” to this Quarterly Report on Form 10-Q. As a result of these risks and uncertainties, actual results could differ significantly from those expressed or implied in the forward-looking statements. Unless otherwise required by law, we undertake no obligation to publicly revise these statements for future events or new information after the date of this Quarterly Report on Form 10-Q.

This discussion and analysis should be read in conjunction with our Consolidated Financial Statements and accompanying Notes included in this report and the Audited Consolidated Financial Statements and Notes thereto included in our Annual Report on Form 10-K for the year ended April 2, 2017 filed with the SEC on May 19, 2017. Operating results for the three months ended July 2, 2017 are not necessarily indicative of operating results for an entire fiscal year.

Critical Accounting Policies

Our condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the U.S. The preparation of such statements requires us to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period and the reported amounts of assets and liabilities as of the date of the financial statements. Our estimates and assumptions are based on historical experience and other factors that we consider to be appropriate in the circumstances. However, actual future results may vary from our estimates and assumptions.

For a discussion of our critical accounting policies, see Part II, Item 7, “Management's Discussion and Analysis of Financial Condition and Results of Operations” in our Annual Report on Form 10-K for the fiscal year ended April 2, 2017 and our Condensed Consolidated Financial Statements and accompanying Notes included in this report. We believe that these accounting policies are "critical," as defined by the SEC, in that they are both highly important to the portrayal of our financial condition and results, and they require difficult management judgments, estimates and assumptions about matters that are inherently uncertain. Except for additions to our revenue recognition policy as a result of the acquisition of GigPeak and the newly adopted accounting policies discussed in Note 1 to the Condensed Consolidated Financial Statements included in this report, we believe that there have been no other significant changes during the three months ended July 2, 2017 to the items that we disclosed as our critical accounting policies in our Annual Report on Form 10-K for the fiscal year ended April 2, 2017.

Business Overview

We develop system-level solutions that optimize our customers’ applications in key markets. IDT’s market-leading products in radio frequency (RF), timing, real-time interconnect, wireless power transfer, serial switching, interfaces, automotive application-specific integrated circuits (ASICs), video distribution and contribution, sensor signal conditioner integrated circuits (ICs) and environmental sensors are among our broad array of complete mixed-signal solutions for the communications, computing, consumer, automotive, industrial and internet-of-things segments. These products are used for development in areas such as 4G infrastructure, network communications, cloud

datacenters, autonomous driving, connected homes, smart appliances and power management for computing and mobile devices.

Our top talent and technology, paired with an innovative product-development philosophy, allows us to solve complex customer problems when designing communications, computing, consumer, automotive, industrial and internet-of-things applications. On a worldwide basis, we primarily market our products to original equipment manufacturers (OEMs) through a variety of channels, including direct sales, distributors, electronic manufacturing suppliers (EMSs) and independent sales representatives.

For more information on our business, please see Part I, Item 1, “Business,” in our Annual Report on Form 10-K for the fiscal year ended April 2, 2017.

Recent developments

Acquisition of GigPeak, Inc.

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On April 4, 2017, we completed the acquisition of all of the outstanding common stock of GigPeak, a publicly held company mainly operating in the United States in an all-cash transaction for approximately $250.1 million (the "Acquisition"). GigPeak was a global supplier of semiconductor ICs and software solutions for high-speed connectivity and high-quality video compression over the network and the cloud. As a result of this Acquisition, we recorded amortizable intangible assets of $97.9 million and goodwill of $113.2 million during the first quarter of fiscal 2018. In addition, we recorded approximately $2.2 million of acquisition related costs during the first quarter of fiscal 2018, which were included in Selling, General and Administrative Expenses in the Condensed Consolidated Statements of Operations. Refer to Note 3 for details.

Term B Loan

We funded the Acquisition from our available cash on hand and net proceeds from borrowings under our credit facility entered into on April 4, 2017 with JPMorgan Chase Bank, N.A. as administrative agent and the various lenders signatory thereto (the “Credit Agreement”). The Credit Agreement provides for a $200 million term loan facility (Initial Term B Loan). In addition, we may request incremental term loan and/or incremental revolving loan commitments in an aggregate amount not to exceed the sum of $200 million and an unlimited amount that is subject to pro forma compliance with certain secured leverage ratio test; provided, however that incremental revolving loan commitments may not exceed $50 million. Refer to Note 17 for details.

Divestiture of Fox's Organic Business

In the first quarter of fiscal 2017, we reclassified certain assets and liabilities of our wholly-owned subsidiary Fox Enterprises, Inc. (the Disposal Group) as held for sale. As a result, the long-lived assets (comprised of goodwill, intangible assets and fixed assets) included in the Disposal Group were fully impaired and the Company recorded total impairment charge of $0.8 million in the first quarter of fiscal 2017.

On October 3, 2016, we completed the sale of the Disposal Group for approximately $1.2 million and recorded a loss on divestiture (included in interest income and other, net in the Consolidated Statement of Operations) of approximately $0.7 million in fiscal 2017.

Acquisition of Synkera Technologies, Inc.

On July 22, 2016, we purchased substantially all of the assets and liabilities of Synkera Technologies, Inc. (Synkera), a company engaged in developing and marketing metal oxide gas sensor technology, for total purchase consideration of approximately $2.8 million, of which $1.5 million was paid in cash at closing and $1.3 million was recorded as a liability representing the fair value of contingent cash consideration of up to $1.5 million. The contingent cash consideration will be paid based upon the achievement of certain milestones to be completed within 3.5 years from the date of acquisition. See Note 3 for details.

Subsequent Events

On July 28, 2017, our Board of Directors approved an increase to our share repurchase authorization of $200 million.

Overview

The following table and discussion provide an overview of our operating results for the three months ended July 2, 2017 and July 3, 2016:

	Three Months Ended	
(in thousands, except for percentage)	July 2, 2017	July 3, 2016
Revenues	$196,713	$192,128
Gross profit	$110,038	$108,349
As a % of revenues	56 %	56 %
Operating income	$19,647	$19,885
As a % of revenues	10 %	10 %
Net income	$16,714	$20,947
As a % of revenues	8 %	11 %

Our revenues increased by $4.6 million, or 2%, to $196.7 million in the quarter ended July 2, 2017 compared to the quarter ended July 3, 2016. The increase was primarily due to revenue from the newly acquired business of GigPeak, higher revenue contribution from our automotive/industrial/sensing products and increased demand for our memory interface and wireless power products. These increases were partially offset by lower demand for our communications timing and RapidIO switching solutions products.

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Gross profit percentage and operating income percentage were consistent at 56% and 10%, respectively, for the quarters ended July 2, 2017 and July 3, 2016. Net income was $16.7 million in the first quarter of fiscal 2018, as compared to $20.9 million in the first quarter of fiscal 2017. The decrease in net income was primarily due to higher interest expense attributed to the Initial Term B Loan and the lower benefit from income taxes in the quarter ended July 2, 2017, as compared to the same period in prior fiscal year.

Results of Operations

Revenues

Revenues by segment:	Three Months Ended	
(in thousands)	July 2, 2017	July 3, 2016
Communications	$57,826	$79,097
Computing, Consumer and Industrial	138,887	113,031
Total revenues	$196,713	$192,128

Product groups representing greater than 10% of net revenues:	Three Months Ended	
As a percentage of net revenues	July 2, 2017 (a)	July 3, 2016 (b)
Communications:		
Communications timing products	11 %	14 %
Serial RapidIO products	— %	13 %
All others less than 10% individually	18 %	14 %
Total Communications	29 %	41 %
Computing, Consumer and Industrial:		
Memory interface products	25 %	24 %
Wireless power products	12 %	11 %
Automotive, industrial and sensing products	13 %	12 %
All others less than 10% individually	21 %	12 %
Total Computing, Consumer and Industrial	71 %	59 %
Total	100 %	100 %

(a) Includes product group with less than 10% of net revenue in a given period.

(b) Prior period numbers have been adjusted to conform to our current organizational structure.

Communications Segment

Revenues in our Communications segment decreased $21.3 million, or 27%, to $57.8 million in the quarter ended July 2, 2017 as compared to the quarter ended July 3, 2016. The decrease was primarily due to a decrease in shipments of our RapidIO switching solutions products, lower demand for our legacy products and a decrease as a result of divestiture of Fox's Organic business. These decreases were partially offset by revenue contribution from our newly acquired GigPeak business.

Computing, Consumer and Industrial Segment

Revenues in our Computing, Consumer and Industrial segment increased $25.9 million, or 23% to $138.9 million in the quarter ended July 2, 2017 as compared to the quarter ended July 3, 2016. The increase was primarily due to revenue from our newly acquired GigPeak business, higher revenue contribution from our automotive/industrial/sensing products and increased demand for our memory interface and wireless power products.

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Revenues by Region

Revenues, based on shipped to locations, in Hong Kong, rest of APAC, Americas and Europe accounted for 32%, 42%, 13% and 13%, respectively, of consolidated revenues in the quarter ended July 2, 2017 compared to 38%, 39%, 11% and 12%, respectively, of our consolidated revenues in the quarter ended July 3, 2016. The APAC region continues to be our largest region, as many of our customers utilize manufacturers in that region.

Gross Profit

	Three Months Ended			
	July 2, 2017		July 3, 2016	
Gross Profit (in thousands)	$110,038		$108,349	
Gross Profit Percentage	55.9	%	56.4	%

Gross profit increased $1.7 million in the three months ended July 2, 2017 compared to the three months ended July 3, 2016, as a result of increased revenues. Gross profit as a percentage of revenues decreased 0.5% in the three months ended July 2, 2017 compared to the three months ended July 3, 2016. Gross profit percentage declined primarily due to certain costs related to the acquisition of GigPeak such as amortization of intangibles and amortization of fair value markup on inventory.

Operating Expenses

The following table presents our operating expenses for the three months ended July 2, 2017 and July 3, 2016:

	Three Months Ended					
	July 2, 2017			July 3, 2016		
(in thousands, except for percentages)	Dollar Amount	% of Net Revenue		Dollar Amount	% of Net Revenue	
Research and development	$48,449	25	%	$49,648	26	%
Selling, general and administrative	$41,942	21	%	$38,816	20	%

Research and Development (R&D)

R&D expense decreased $1.2 million, or 2.4%, to $48.4 million in the quarter ended July 2, 2017 compared to the quarter ended July 3, 2016. The decrease was primarily driven by lower severance costs as there were no headcount reductions from our Germany and France locations in the quarter ended July 2, 2017 when compared to the quarter ended July 3, 2016 and by lower R&D labor and benefit related costs. These decreases were partly offset by R&D expenses incurred as a result of the acquisition of GigPeak and increase in stock-based compensation.

Selling, General and Administrative (SG&A)

SG&A expense increased $3.1 million, or 8.1%, to $41.9 million in the quarter ended July 2, 2017 as compared to the quarter ended July 3, 2016. The increase was primarily driven by SG&A expenses incurred as a result of the acquisition of GigPeak and increase in amortization of intangibles as a result of new intangibles recognized from the acquisition of GigPeak. These increases were partly offset by lower severance costs as there were no headcount reductions from our Germany and France locations in the quarter ended July 2, 2017 when compared to the quarter ended July 3, 2016.

Interest Expense

The components of interest expense for the three months ended July 2, 2017 and July 3, 2016 are summarized as follows (in thousands):

	Three Months Ended	
(in thousands)	July 2, 2017	July 3, 2016
Accretion of debt discount	$3,166	$2,998
Contractual interest expense	2,932	818
Amortization of debt issuance costs and debt discount	475	270

Other	324	62
Total interest expense	$6,897	$4,148

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Interest expense for the three months ended July 2, 2017 and July 3, 2016 was primarily related to the Convertible Notes and Initial Term B Loan we issued in November 2015 and April, 2017, respectively. The increase in interest expense in the three months ended July 2, 2017 as compared to the same period in prior year was primarily due to contractual interest recorded and amortization of issuance costs related to the Initial Term B Loan.

Interest Income and Other, Net

The components of interest income and other, net are summarized as follows:

(in thousands)	Three Months Ended	
	July 2, 2017	July 3, 2016
Interest income	$757	$600
Other income, net	2,225	1,052
Interest income and other, net	$2,982	$1,652

Interest income is derived from earnings on our cash and short-term investments. Other income, net primarily consists of gains or losses in the value of deferred compensation plan assets, foreign currency gains or losses and other non-operating gains or losses. The increase in interest income in the three months ended July 2, 2017 as compared to the same period in prior year was primarily attributable to higher average interest rates for the period. The increase in other income in the three month quarter ended July 2, 2017 as compared to the same period in prior year was primarily due to increase in value of the underlying investments of the deferred compensation plan and favorable impact of foreign currency fluctuations.

Income Tax Expense (Benefit)

During the three months ended July 2, 2017 and July 3, 2016, we recorded an income tax benefit of $1.0 million and $3.6 million from continuing operations, respectively. The income tax benefit recorded in the three months ended July 2, 2017 was primarily due to the benefit from research and development tax credits and excess tax benefits from stock based compensation. The income tax benefit recorded in the three months ended July 3, 2016 was primarily due to the tax benefit on severance costs.

As of July 2, 2017, we continue to maintain a valuation allowance against our net deferred tax assets in certain foreign and state jurisdictions, as we are not able to conclude that is more likely than not that these deferred tax assets will be realized. We reached this decision based on judgment, which included consideration of historical operating results and projections of future profits. We will continue to monitor the need for the valuation allowance on a quarterly basis.

In fiscal year 2016, after examination of our projected offshore cash flows, and global cash requirements, we determined that we would no longer require 100% of our future foreign generated cash to support our foreign operations. We plan to continue to repatriate a portion of our offshore earnings, generated after March 29, 2015, to the U.S. for domestic operations, and have accrued for the related tax impacts accordingly. For earnings accumulated as of March 29, 2015, we continue to indefinitely reinvest such amounts in our foreign jurisdictions, except to the extent there is any previously taxed income which is expected to be repatriated. If circumstances change and it becomes apparent that some or all of those undistributed earnings of our offshore subsidiary will be remitted in the foreseeable future but income taxes have not been recognized, we will accrue income taxes attributable to that remittance.

We benefit from tax incentives granted by local tax authorities in certain foreign jurisdictions. In the fourth quarter of fiscal 2011, we agreed with the Malaysia Industrial Development Board to enter into a new tax incentive agreement which is a full tax exemption on statutory income for a period of 10 years commencing April 4, 2011. This tax incentive agreement is subject to the Company meeting certain financial targets, investments, headcounts and activities in Malaysia.

As of July 2, 2017, we are under examination in Malaysia for fiscal years 2012 through 2015, in India for fiscal year 2015, and in the state of New York for fiscal years 2013 through 2016. Although the final outcome is uncertain, based on currently available information, we believe that the ultimate outcome will not have a material adverse effect on our financial position, cash flows or results of operations.

Our open years in the U.S. federal jurisdiction are fiscal 2014 and later years. In addition, we are effectively subject to federal tax examination adjustments for tax years ended on or after fiscal year 1999, in that we have tax attribute carryforwards from these years that could be subject to adjustments, if and when utilized. Our open years in various state and foreign jurisdictions are fiscal years 2010 and later.

We do not expect a material change in unrecognized tax benefits within the next twelve months.

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Liquidity and Capital Resources

Our cash and cash equivalents and short-term investments were $358.2 million at July 2, 2017, a decrease of $47.9 million compared to April 2, 2017. We had an outstanding debt in the form of Convertible Notes amounting to $373.8 million at July 2, 2017 and April 2, 2017, and Initial Term B Loan with outstanding principal balance of $199.5 million as of July 2, 2017.

The Convertible Notes are governed by the terms of an indenture, dated November 4, 2015, between the Company and a trustee. The Convertible Notes are the senior unsecured obligations of the Company and bear interest at a rate of 0.875% per annum, payable semi-annually in arrears on May 15 and November 15 of each year, commencing May 15, 2016. The Convertible Notes will mature on November 15, 2022, unless earlier repurchased or converted. At any time prior to the close of business on the business day immediately preceding August 15, 2022, holders may convert their Convertible Notes at their option only under the certain circumstances as defined in the indenture. On or after August 15, 2022 until the close of business on the second scheduled trading day immediately preceding the maturity date, holders may convert their notes at any time, regardless of such circumstances. The conversion rate for the Convertible Notes will initially be 29.8920 shares of common stock per $1,000 principal amount of Convertible Notes, which corresponds to an initial conversion price of approximately $33.45 per share of common stock. The conversion rate is subject to adjustment from time to time upon the occurrence of certain events, including, but not limited to, the issuance of certain stock dividends on common stock, the issuance of certain rights or warrants, subdivisions, combinations, distributions of capital stock, indebtedness, or assets, the payment of cash dividends and certain issuer tender or exchange offers. As of July 2, 2017, none of the conditions allowing holders of the Convertible Notes to convert had been met.

The Initial Term B Loan has an aggregate original principal amount of $200 million, with an original term of 7 years, and is senior to the Convertible Notes in terms of priority. In accordance with the terms of the Credit Agreement, we will repay the principal amount on the last day of each March 31, June 30, September 30 and December 31, commencing on June 30, 2017, in an amount equal to 0.25% of the original principal amount; and on the maturity date, as described below, in an amount equal to the remainder of the outstanding principal amount of the Initial Term B Loan. The maturity date of the Initial Term B Loan is April 4, 2024; provided that if any of the our Convertible Notes are outstanding on August 16, 2022, the maturity date of which had not otherwise been extended to a date that is no earlier than 91 days after April 4, 2024, the Initial Term B Loan maturity date shall instead be August 16, 2022, unless we and our guarantors shall have cash, permitted investments and/or unwithdrawn revolving credit commitments in an aggregate amount not less than the aggregate principal amount of then outstanding Convertible Notes. We may prepay the Initial Term B Loan, in whole or in part, at any time without premium or penalty, subject to certain conditions, and amounts repaid or prepaid may not be reborrowed. The interest rate of the Initial Term B Loan is based on adjusted LIBO rate which is equal to the LIBO rate for such interest period multiplied by statutory reserve rate, plus an applicable margin of 3%. For the initial three-month period through June 30, 2017, the interest rate on the Initial Term B Loan is approximately 4.15%.

Cash Flows from Operating Activities

Net cash provided by operating activities totaled $35.0 million in the three months ended July 2, 2017 compared to $30.3 million in the three months ended July 3, 2016. Cash provided by operating activities in the three months ended July 2, 2017 consisted of our net income of $16.7 million, adjusted to add back non-cash items such as stock-based compensation, depreciation, amortization, impairment charges, amortization of debt issue cost and debt discount and deferred income tax which totaled $30.3 million; and cash used to meet working capital requirements $12.0 million.

Cash Flows from Investing Activities

Net cash used in investing activities in the three months ended July 2, 2017 was $268.1 million compared to net cash used of $55.3 million in the three months ended July 3, 2016. Net cash used in investing activities in the three months ended July 2, 2017 was primarily due to $237.7 million used for acquisition of GigPeak (net of cash acquired), $21.7 million for the net purchases of short-term investments and $8.4 million of expenditures to purchase capital equipment.

Cash Flows from Financing Activities

Net cash provided by financing activities was $161.9 million in the three months ended July 2, 2017 as compared to net cash used of $25.7 million in the three months ended July 3, 2016. Cash provided by financing activities in the three months ended July 2, 2017 was primarily due to $194.3 million of net proceeds from the Initial Term B Loan and $3.2 million of proceeds from exercise of employee stock options and the issuance of stock under our employee stock purchase plan. Those were partly offset by $34.8 million of proceeds from repurchase of common stock and $0.5 million of principal payment of the Initial Term B Loan.

We anticipate capital expenditures of approximately $20 million to $30 million during the next 12 months to be financed through cash generated from operations and existing cash and investments.

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In addition, as much of our revenues are generated outside the U.S., a significant portion of our cash and investment portfolio accumulates in the foreign countries in which we operate. As of July 2, 2017, we had cash, cash equivalents and investments of approximately $244.7 million invested overseas in accounts belonging to various IDT foreign operating entities. While these amounts are primarily invested in U.S. dollars, a portion is held in foreign currencies, and all offshore balances are exposed to local political, banking, currency control and other risks. In addition, these amounts may be subject to tax and other transfer restrictions.

We believe that existing cash and investment balances, together with cash flows from operations, will be sufficient to meet our working capital and capital expenditure needs through at least the next 12 months. We may choose to investigate other financing alternatives to supplement U.S. liquidity; however, we cannot be certain that additional financing will be available on satisfactory terms.

Off-Balance Sheet Arrangements

As of July 2, 2017, we did not have any significant off-balance sheet arrangement, as defined under SEC Regulation S-K Item 303(a)(4)(ii), other than the items discussed and in "Note 14 - Commitments and Contingencies - Commitments" in Part I, Item 1 of this quarterly report on Form 10-Q.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our interest rate risk relates primarily to our short-term investments of $213.7 million and $191.5 million as of July 2, 2017 and April 2, 2017, respectively. By policy, we limit our exposure to long-term investments and mitigate the credit risk through diversification and adherence to a policy requiring the purchase of highly rated securities. As of July 2, 2017 and April 2, 2017, the Company’s cash, cash equivalents and investment portfolio was concentrated in securities with same day liquidity and a substantial majority of securities in our investment portfolio had maturities of less than two years. A hypothetical 10% change in interest rates would not have a material effect on the value of our investment portfolio as of July 2, 2017. We do not currently use derivative financial instruments in our investment portfolio.

As of July 2, 2017, we had an outstanding principal balance in our Initial Term B Loan of $199.5 million. The interest rate of the Initial Term B Loan is based on adjusted LIBO rate which is equal to the LIBO rate for such interest period multiplied by statutory reserve rate, plus an applicable margin of 3%. As the applicable interest rate is based on a floating rate index, we are exposed to interest rate risk. A one hundred basis point change in the contractual interest rate would increase the interest expense for the next 12 months on our outstanding Initial Term B Loan by $2.0 million.

At July 2, 2017 and April 2, 2017, we had an outstanding debt of $373.8 million in the form of convertible note. The fair value of our Convertible Notes is subject to interest rate risk, market risk and other factors due to the convertible feature. The fair value of the Convertible Notes will generally increase as interest rates fall and decrease as interest rates rise. In addition, the fair value of the Convertible Notes will generally increase as our common stock price increases and will generally decrease as our common stock price declines in value. The interest and market value changes affect the fair value of our Convertible Notes but do not impact our financial position, cash flows or results of operations due to the fixed nature of the debt obligation.

We are exposed to foreign currency exchange rate risk as a result of international sales, assets and liabilities of foreign subsidiaries, local operating expenses of our foreign entities and capital purchases denominated in foreign currencies. We may use derivative financial instruments to help manage our foreign currency exchange exposures. We do not enter into derivatives for speculative or trading purposes. We have foreign exchange facilities used for hedging arrangements with banks that allow the Company to enter into foreign exchange contracts totaling approximately $32.0 million, all of which was available at July 2, 2017. We performed a sensitivity analysis as of July 2, 2017 and April 2, 2017 and determined that, without hedging the exposure, a 10% change in the value of the U.S. dollar would result in an approximate 0.3% and 0.1% impact on gross profit margin percentage, respectively, as we operate a manufacturing testing facility in Malaysia and Germany, and an approximate 0.5% impact to operating expenses (as a percentage of revenue), as we operate sales offices in Japan, Taiwan and South Korea and throughout Europe and design centers in China and Canada. At July 2, 2017 and April 2, 2017, we had no material outstanding foreign exchange contracts.

We did not have any material currency exposure related to any outstanding capital purchases as of July 2, 2017 and April 2, 2017.

ITEM 4. CONTROLS AND PROCEDURES

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating our disclosure controls and procedures, our management recognizes that any disclosure controls and procedures, no matter how well designed and operated, can provide only reasonable, not absolute, assurance of achieving the desired control objectives, and our management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible disclosure controls and procedures.

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As of July 2, 2017, the end of the quarter covered by this report, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure control and procedures were effective at a reasonable assurance level. There have been no changes in our internal control over financial reporting during the most recent fiscal quarter that have materially affected, or are reasonable likely to materially affect, our internal controls over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Litigation

On February 13, 2017, the Company and GigPeak announced that they had entered into an Agreement and Plan of Merger, dated as of February 13, 2017. On February 17, 2017, a purported class action was filed in Santa Clara County Superior Court, (Carbajal v. Gigpeak, Inc., et al, Case No. 17-cv-306571). On March 8, 2017, a purported class action was filed in the United States District Court of Delaware (Vladimir Gusinsky Rev. Trust v. GigPeak, Case No. 1:17-cv-00241-VAC SRF). On March 13, 2017, a purported class action was filed in the United States District Court for the Northern District of California (Mendoza v. Gigpeak, Inc. et al, Case No. 3;17-cv-01351-WHO). On March 16, a second purported class action was filed in the United States District Court for the Northern District of California (Travis v. GigPeak, Inc. et al, Case No. 5:17-cv-01441-LKH). The Company was named as a defendant in the Carbajal and Gusinsky complaints. The Carbajal complaint asserted claims for breach of fiduciary duty and aiding and abetting breach of fiduciary duty, including that defendants have failed to secure adequate deal consideration as well as various other breaches of duty. The Gusinsky, Travis and Mendoza complaints asserted claims under Sections 14(d)(4), 14(e) and 20(a) of the Exchange Act. The Gusinsky, Mendoza and Travis complaint alleged that the Schedule 14D-9 filed by GigPeak contained material omissions and misstatements, and sought to enjoin and/or rescind the Offer as well as certain other equitable relief, unspecified damages and attorneys’ fees and costs. The Carbajal complaint was voluntarily dismissed on March 7, 2017. Each of the remaining complaints was voluntarily dismissed by Plaintiffs on or around April 7, 2017, and the actions were closed by the Court on or around May 15, 2017 after Plaintiffs’ fees were agreed to by the parties.

In November 2016, North Star Innovations, Inc. (“NSI”), an IP licensing non-practicing entity and subsidiary of Wi-Lan, Inc., filed a complaint against the Company in the federal courts of the Central District of California, alleging the Company infringed three U.S. patents assigned to and owned by NSI. The Company did not file an Answer or other responsive pleading in this litigation. On or about January 13, 2017, RPX Corporation, a membership-based defensive patent aggregator, entered a license agreement with NSI, to which the Company is a beneficiary based on the Company’s membership in RPX. Based on this license, the Company and NSI signed a Release Agreement effective January 31, 2017, releasing the Company from liability under the claims for infringement of the three asserted patents. On January 31, 2017, the court ordered the litigation against IDT to be formally dismissed.

In January 2012, Maxim I Properties, a general partnership that had purchased a certain parcel of real property (the Property) in 2003, filed a complaint in the Northern District of California naming approximately 30 defendants, including the Company ("Defendants"), alleging various environmental violations of the federal Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) and Resource Conservation and Recovery Act (RCRA), the California Hazardous Substance Account Act (HSAA), and other common law claims (the Complaint). The Complaint alleged that Defendants including the Company “…generated, transported, and/or arranged for the transport and/or disposal of hazardous waste to the Property.” On August 15, 2012, Maxim I Properties voluntarily dismissed its Complaint without prejudice. However, another defendant, Moyer Products, Inc., counter-claimed against the plaintiff, Maxim, and cross-claimed against the remaining co-Defendants, including the Company. Thus, the Company remains a cross-defendant in this action.

In a related, but independent action, the California Department of Toxic Substances Control (DTSC) notified the Company in September 2012 that the Company, and more than 50 other entities, were being named as respondents to DTSC's Enforcement Order, as “a generator of hazardous waste.” In April 2013, the Company, along with the other “respondent” parties, entered into a Corrective Action Consent Agreement (CACA) with the DTSC, agreeing to conduct the Property investigation and corrective action selection. The CACA supersedes the DTSC's Enforcement Order. The District Court for the Northern District of California stayed the Maxim/Moyer litigation pending the Property investigation under the CACA and DTSC's corrective action selection.

Property investigation activity took place between April 2013 and June 2015. On June 23, 2015, the DTSC deemed the Property investigation complete. The DTSC continues to evaluate corrective action alternatives. The Company will continue to vigorously defend itself against the allegations in the Complaint and evaluate settlement options with Moyer upon notification from DTSC of its corrective action selection. No specific corrective action has been selected yet, and thus no specific monetary demands have been made. Accordingly, an estimate of contingent loss, if any, related to this action cannot be made.

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The Company may also be a party to various other legal proceedings and claims arising in the normal course of business from time to time. With regard to these or future litigation matters that may arise, potential liability and probable losses or ranges of possible losses due to an unfavorable litigation outcome cannot be reasonably estimated at this time. Generally, litigation is subject to inherent uncertainties, and no assurance can be given that the Company will prevail in the Maxim lawsuit or any other particular lawsuit or claim. Pending lawsuits, claims as well as potential future litigation, could result in substantial costs and diversion of resources and could have a material adverse effect on the Company's financial condition, results of operations or cash flows.

ITEM 1A. RISK FACTORS

Investing in our common stock involves a high degree of risk. You should carefully consider the risks and uncertainties described below and all information contained in this report before you decide to purchase our common stock. These risk factors are intended to highlight certain factors that may affect our financial condition and results of operations and are not meant to be an exhaustive discussion of risks that we may face. Our operations could also be affected by factors that are not presently known to us or that we currently consider to be immaterial to our operations. Due to risk and uncertainties, both known and unknown, we may be unable to conduct our business as currently planned and our financial condition and operating results could be adversely impacted. In addition, the price of our securities is subject to volatility and could decline due to the occurrence of any of these risks, causing investors to lose all or part of their investment.

Our operating results can fluctuate dramatically. Our operating results have fluctuated in the past and are likely to vary in the future. Past financial results may not be a reliable indicator of future performance. Fluctuations in operating results can result from a wide variety of factors, including:

- global economic conditions, including those related to the credit markets;
- the cyclicality of the semiconductor industry;
- changes in the demand for and mix of products sold and in the markets we and our customers serve;
- the availability of industry-wide wafer processing capacity;
- the availability of industry-wide and package specific assembly subcontract capacity and related raw materials;
- competitive pricing pressures;
- the success and timing of new product and process technology announcements and introductions from us or our competitors;
- potential loss of market share among a concentrated group of customers;
- difficulty in attracting and retaining key personnel;
- difficulty in predicting customer product requirements;
- production difficulties and interruptions caused by our complex manufacturing and logistics operations;
- limited control over our manufacturing and product delivery as a result of our reliance on subcontractors, foundry and other manufacturing services;
- unrealized potential of acquired businesses and resulting assets impairment;
- availability and costs of raw materials from a limited number of suppliers;
- political, economic and health conditions in various geographic areas;
- timing and execution of plans and programs subject to foreign labor law requirements, including consultation with work councils;
- reduced customer demand as a result of the impact from natural and/or man-made disasters which may adversely impact our customer's manufacturing capability or reduce our customer's ability to acquire critical materials or components to manufacture their end products;
- costs associated with other events, such as intellectual property disputes or other litigation; and
- legislative, tax, accounting, or regulatory changes or changes in their interpretation.

Global economic and geo-political conditions may adversely affect our business and results of operations.

We have and/or rely on facilities and operations in many countries throughout the world and some of our operations are concentrated in one or more geographic regions. Significant portion of our revenue comes from shipments to locations outside the United States. As a result of the breadth of our international operations, we are subject to the

potential for substantial volatility in global capital markets and the global demand for semiconductor product. Our financial results and operations, including our ability to manufacture, assemble and test, design, develop and sell products, may be adversely affected by various global economic and geo-political conditions which can include:

- slow, uneven economic growth throughout the world;
- uncertainty regarding macroeconomic conditions and/or an institutional or economic collapse in a geographic region;
- geo-political events and security breaches throughout the world, such as armed conflict, civil or military unrest, political instability, terrorist activity, cyber attacks and data fraud or theft;

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- natural disasters and public health issues including pandemics and outbreaks of infectious diseases; and
- large scale disruptions in transportation, communications and information technology networks.

The cyclicality of the semiconductor industry exacerbates the volatility of our operating results.

The semiconductor industry is highly cyclical and has experienced significant downturns, often in connection with product cycles of both semiconductor companies and their customers, but also related to declines in general economic conditions. These downturns have been characterized by volatile customer demand, high inventory levels and accelerated erosion of average selling prices. Any future economic downturns could materially and adversely affect our business from one period to the next relative to demand and product pricing. In addition, the semiconductor industry may experience periods of increased demand, during which we may experience internal and external manufacturing constraints. We may also experience substantial changes in future operating results due to the cyclical nature of the semiconductor industry.

Our acquisition of ZMDI and GigPeak and the integration of their business, operations and employees with our own will involve risks and the failure to integrate successfully in the expected time frame may adversely affect our future results.

On December 7, 2015, we completed the purchase of all of the outstanding non-par-value shares of Zentrum Mikroelektronik Dresden AG (ZMDI). On April 4, 2017, we completed the purchase of all of the outstanding common stock of GigPeak, Inc. (GigPeak). Any failure to successfully integrate the business, operations and employees of ZMDI and GigPeak could harm our results of operations. Our ability to realize these benefits will depend, in part, on the timely integration and consolidation of organizations, operations, facilities, procedures, policies and technologies, and the harmonization of differences in the business cultures between the companies and their personnel. Implementation and integration of the ZMDI and GigPeak businesses will be complex and time-consuming, will involve additional expense and could disrupt our business and divert management's attention from ongoing business concerns. The challenges involved in integrating ZMDI and GigPeak will include:

- preserving customer, supplier and other important relationships of both ZMDI and the Company;
- coordinating and integrating operations in Germany;
- integrating financial forecasting and controls, procedures and reporting cycles;
- combining and integrating information technology systems; and
- integrating employees and related human resources systems and benefits, maintaining employee morale and retaining key employees.

The benefits we expect to realize from the acquisition of ZMDI and GigPeak are, necessarily, based on projections and assumptions about the combined businesses of the Company, ZMDI and GigPeak and assume, among other things, the successful integration of ZMDI and GigPeak into our business and operations. We may not successfully integrate ZMDI and GigPeak and our operations in a timely manner, or at all. If we do not realize the anticipated benefits of this transaction, our growth strategy and future profitability could be affected. In addition, the acquisition significantly increased the amount of our goodwill and other intangible assets, which could adversely affect our future results of operations.

We have a substantial amount of indebtedness which could adversely affect our financial position and prevent us from implementing our strategy or fulfilling our contractual obligations.

On April 4, 2017, we borrowed $200 million in a term loan facility (Initial Term B Loan) with an original maturity date of April 4, 2024. In November 2015, we issued $373.8 million of 0.875% Convertible Senior Notes due 2022 (Convertible Notes). Our substantial indebtedness may:

- limit our ability to use our cash flow or borrow additional funds for working capital, capital expenditures, acquisitions and general corporate and other purposes;
- make it difficult for us to satisfy our financial obligations;
- place us at a competitive disadvantage compared to our less leveraged competitors; and
- increase our vulnerability to the impact of adverse economic and industry conditions.

Our Credit Agreement related to the Initial Term B Loan contains customary affirmative and negative covenants, including covenants that limit or restrict our and our subsidiaries' ability to, among other things, incur indebtedness, grant liens, merge or consolidate, dispose of assets, make investments, make acquisitions, enter into transactions with affiliates, pay dividends or make distributions and repurchase stock. Any of these factors could materially and adversely affect our business, financial condition and results of operations. In addition, if we incur additional indebtedness, the risks related to our business and our ability to service or repay our indebtedness would increase.

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The exercise of warrants issued to JPMorgan Chase Bank concurrently with our Convertible Notes would, and the conversion of our Conversion Notes could, dilute the ownership interest of our existing shareholders.
If the market price per share of our common stock, as measured under the terms of the warrant transactions, exceeds the strike price of the warrants during the measurement period at the maturity of the warrants, we will owe JPMorgan Chase Bank a number of shares of our common stock in an amount based on the excess of such market price per share of our common stock over the strike price of the warrants. Any issuance by us of additional shares to JPMorgan Chase Bank upon exercise of the warrants will dilute the ownership interest of our existing shareholders. In addition, the conversion of our Convertible Notes will dilute the ownership interests of our existing shareholders and could have a dilutive effect on our net income per share to the extent that the price of our common stock exceeds the conversion price of the Convertible Notes. Any sales in the public market by JPMorgan Chase Bank of our common stock upon exercise of the warrants or sales in the public market of our common stock issuable upon conversion of the Convertible Notes could adversely affect prevailing market prices of our common stock.

We have made and may continue to make acquisitions and divestitures which could divert management's attention, cause ownership dilution to our stockholders, be difficult to integrate, and/or adversely affect our financial results.
Acquisitions and divestitures are commonplace in the semiconductor industry and we have acquired and divested, and may continue to acquire or divest, businesses and technologies. Mergers, acquisitions and divestitures include a number of risks and present financial, managerial and operational challenges. Acquisitions or divestitures could divert our management's attention and other resources from other business concerns. Integrating newly acquired businesses or technologies, or in the case of a divestiture, separating businesses or technologies, could put a strain on our resources, could be costly and time consuming, and might not be successful. In addition, we might lose key employees while integrating new organizations or might incur increased expenses, including but not limited to legal, administrative and compensation expenses, related to newly hired or terminated employees. Acquisitions and divestitures could also result in customer dissatisfaction, performance problems with an acquired company or technology, dilutive or potentially dilutive issuances of equity securities, the incurrence of debt, the assumption or incurrence of contingent liabilities, or other unanticipated events or circumstances, any of which could harm our business. Consequently, we might not be successful in acquiring or integrating any new businesses, products, or technologies, and might not achieve anticipated revenues and cost benefits. In addition, we might be unsuccessful in finding or completing acquisition or divestiture opportunities on acceptable terms in a timely manner. For all these reasons, our pursuit of an acquisition, investment, divestiture, merger or joint venture could cause our actual results to differ materially from those anticipated.
Demand for our products depends primarily on demand in the communications, enterprise computing, personal computer (PC), and consumer markets which can be significantly affected by concerns over macroeconomic issues.
Our product portfolio consists predominantly of semiconductor solutions for the communications, computing, consumer, automotive and industrial markets. Our strategy and resources are directed at the development, production and marketing of products for these markets. The markets for our products will depend on continued and growing demand for communications equipment, servers, PCs and consumer electronics, and automotive and industrial solutions. These end-user markets may experience changes in demand that could adversely affect our business and could be greater in periods of economic uncertainty and contraction. To the extent demand or markets for our products do not grow, our business could be adversely affected.
We rely upon subcontractors and third-party foundries.
We are dependent on third-party subcontractors for all of our assembly operations. We are also dependent on third-party outside foundries for the manufacture of our silicon wafers. Our reliance on subcontractors and third-party foundries for our current products presents certain risks because we will have less control over manufacturing quality and delivery schedules, maintenance of sufficient capacity to meet our orders and maintaining in place the manufacturing processes we require. Due to production lead times and potential capacity constraints, any failure on our part to adequately forecast the mix of product demand and resulting foundry and subcontractor requirements could adversely affect our operating results. In addition, we cannot be certain that these foundries and subcontractors will continue to manufacture, assemble, package and test products for us on acceptable economic and quality terms, or at

all, and it may be difficult for us to find alternatives in a timely and cost-effective manner if they do not do so.
We build most of our products based on estimated demand forecasts.
Demand for our products can change rapidly and without advance notice. Demand can be affected by changes in our customers' levels of inventory and differences in the timing and pattern of orders from their end customers. Also, product recalls or delays and/or discontinuance of product development activities of our customers can impact the demand for our products. A large percentage of our revenue in the APAC region is recognized upon shipment to our distributors. Consequently, we have less visibility over both inventory levels at our distributors and end customer demand for our products. Further, the distributors have assumed more risk associated with changes in end demand for our products. Accordingly, significant changes in end demand in the semiconductor business in general, or for our products in particular, may be difficult for us to detect or otherwise measure, which could cause us to incorrectly forecast end-market demand for our products. If we are not able to accurately forecast end demand

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for our products, we may be left with large amounts of unsold products, may not be able to fill all actual orders, and may not be able to efficiently utilize our existing manufacturing capacity or make optimal investment and other business decisions. As a result, we may end up with excess and obsolete inventory or we may be unable to meet customer short-term demands, either of which could have an adverse impact on our operating results.

If we are unable to execute our business strategy successfully, our revenues and profitability may be adversely affected.

Our future financial performance and success are largely dependent on our ability to execute our business strategy successfully. Our present business strategy to be a leading provider of essential mixed signal semiconductor solutions will be affected, without limitation, by: (1) our ability to continue to aggressively manage, maintain and refine our product portfolio including focus on the development and growth of new applications; (2) our ability to continue to maintain existing customers, aggressively pursue and win new customers; (3) our ability to successfully develop, manufacture and market new products in a timely manner; (4) our ability to develop new products in a more efficient manner; (5) our ability to sufficiently differentiate and enhance our products; (6) our ability to successfully deploy research and development (R&D) investment in the areas of displays, silicon timing, power management, signal integrity and radio frequency, and (7) our ability to improve our results of operations.

Our business strategy is based on our assumptions about the future demand for our current products and the new products and applications that we are developing and on our ability to produce our products profitably. We may not be successful in carrying out our business strategy. Further, some or all of our assumptions may be incorrect and our business strategy may not sustain or improve our results of operations. In particular, we may not be able to build our position in markets with high growth potential, increase our volume or revenue, rationalize our manufacturing operations or reduce our costs and expenses.

In addition, circumstances beyond our control and changes in our business or industry may require us to change our business strategy at any given time.

We face significant competition.

The semiconductor industry is highly competitive and subject to rapid market developments and changes in industry standards, trends and desirable technology. If we do not anticipate and respond to these developments, our competitive position may weaken and our products and/or technologies may become undesirable or obsolete. Further, the price and product development pressures that result from competition may lead to reduced profit margins and lost business opportunities in the event that we are unable to match the price decline or cost efficiencies or advancements of our competitors.

Our results are dependent on the success of new products.

The markets we serve are characterized by competition, rapid technological change, evolving standards, short product life cycles and continuous erosion of average selling prices. Consequently, our future success will be highly dependent upon our ability to continually develop new products using the latest and most cost-effective technologies, introduce our products in commercial quantities to the marketplace ahead of the competition and have our products selected for inclusion in leading system manufacturers' products. In addition, the development of new products will continue to require significant R&D expenditures. If we are unable to successfully develop, produce and market new products in a timely manner, have our products available in commercial quantities ahead of competitive products or have our products selected for inclusion in products of systems manufacturers and sell them at gross margins comparable to or better than our current products, our future results of operations could be adversely affected. In addition, our future revenue growth is also partially dependent on our ability to penetrate new markets in which we have limited experience and where competitors are already entrenched. Future success for certain new products will also depend on the development of product solutions for new emerging markets and new applications for existing markets. The success of such products is dependent on the ability of our customers and their customers to successfully develop new markets and gain market acceptance for new product solutions in those markets. Even if we are able to develop, produce and successfully market new products in a timely manner, such new products may not achieve market acceptance. The above described events could have a variety of negative effects on our competitive position and our financial results, such as reducing our revenue, increasing our costs, lowering our gross margin percentage, and ultimately leading to impairment of assets.

The loss of the services of any key personnel may adversely affect our business and growth prospects.

Our performance is substantially dependent on the performance of our executive officers and key employees. The loss of the services of any of our executive officers, technical personnel or other key employees could adversely affect our business. In addition, our future success depends on our ability to successfully compete with other technology firms in attracting and retaining specialized technical and management personnel. If we are unable to identify, hire, and retain highly qualified technical and managerial personnel, our business and growth prospects could be adversely affected.

We are dependent on a concentrated group of customers for a significant part of our revenues.

A large portion of our revenues depends on sales to a limited number of customers. If these relationships were to diminish, or if these customers were to develop their own solutions or adopt a competitor's solution instead of buying our products, our results could be adversely affected.

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Many of our end-customer OEMs have outsourced their manufacturing to a concentrated group of global EMSs and original design manufacturers (ODMs) who then buy products directly from us or from our distributors on behalf of the OEM. These EMSs and ODMs have achieved greater autonomy in the design win, product qualification and product purchasing decisions, especially for commodity products. Competition for the business from EMSs and ODMs is intense and there is no assurance we can remain competitive and retain our existing market share with these customers. If these companies were to allocate a higher share of commodity or second-source business to our competitors instead of buying our products, our results would be adversely affected. Furthermore, as EMSs and ODMs have represented a growing percentage of our overall business, our concentration of credit and other business risks with these customers has increased. Competition among global EMSs and ODMs is intense as they operate on very low margins. If any one or more of our global EMSs or ODMs customers were to file for bankruptcy or otherwise experience significantly adverse financial conditions, our business would be adversely affected as well.

In addition, we utilize a relatively small number of global and regional distributors around the world, who buy product directly from us on behalf of their customers. If our business relationships with any of these distributors were to diminish or any of these distributors were to file for bankruptcy or otherwise experience significantly adverse financial conditions, our business could be adversely affected. Because we continue to be dependent on product demand from a small group of OEM end customers and global and regional distributors, any material delay, cancellation or reduction of orders from or loss of these or other major customers could cause our revenue to decline significantly.

We face competitive pressures and unique requirements from our automotive business customers

Our automotive business is highly competitive and we may face significant pricing and price reduction pressures from our automotive business customers. Our automotive business results could be adversely impacted if we are unable to offset pricing reduction pressures by improving operating efficiencies and reducing expenditures. In addition to aggressive pricing and ongoing price reductions, our automotive business customers may require longer term product supply commitments and greater contractual penalties and/or liability terms than those or our non-automotive business customers. Our automotive business customers' products may also carry a risk of personal injury or property damage to end users in the event of a component failure and our participation in such business segment carries an increased risk that we will be required to respond to product liability and other similar types of claims.

We are dependent on a limited number of suppliers.

Our manufacturing operations depend upon obtaining adequate raw materials on a timely basis. The number of suppliers of certain raw materials, such as silicon wafers, ultra-pure metals and certain chemicals and gases needed for our products, is very limited. In addition, certain packages for our products require long lead times and are available from only a few suppliers. From time to time, suppliers have extended lead times or limited supply to us due to capacity constraints. Our results of operations would be materially and adversely affected if we were unable to obtain adequate supplies of raw materials in a timely manner or if there were significant increases in the costs of raw materials, or if foundry or assembly subcontractor capacity were not available, or if capacity were only available at unfavorable prices.

Our operations and business could be significantly harmed by natural disasters or acts of terrorism.

A majority of the third-party foundries and subcontractors we currently use are located in Malaysia, South Korea, the Philippines, Taiwan, Thailand, China, and Germany. In addition, we own test facilities in Malaysia and Germany. The risk of an earthquake or tsunami in these Pacific Rim locations is significant. The occurrence of an earthquake, drought, flood, fire, or other natural disaster near any of these locations could cause a significant reduction of end-customer demand and/or availability of materials, a disruption of the global supply chain, an increase in the cost of products that we purchase, and otherwise interfere with our ability to conduct business. In addition, public health issues, acts of terrorism, armed conflicts or other catastrophic events could significantly delay the production or shipment of our products. Although we maintain insurance for some of the damage that may be caused by natural disasters, our insurance coverage may not be sufficient to cover all of our potential losses and would not cover us for lost business. As a result, a natural disaster in one or more of these regions could have a material adverse effect on our financial condition and results of operations.

Costs related to product defects and errata may harm our results of operations and business.

Costs associated with unexpected product defects and errata, or deviations from published specifications, due to, for example, unanticipated problems in our design and manufacturing processes, could include:

- writing off the value of inventory of such products;
- disposing of products that cannot be fixed;
- recalling such products that have been shipped to customers;
- providing product replacements for, or modifications to, such products; and
- defending against litigation related to such products.

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These costs could be substantial and may therefore increase our expenses and lower our gross margin. In addition, our reputation with our customers or users of our products could be damaged as a result of such product defects and errata, and the demand for our products could be reduced. The announcement of product defects and/or errata could cause customers to purchase products from our competitors as a result of anticipated shortages of our components or for other reasons. These factors could harm our financial results and the prospects for our business.

Intellectual property claims against and/or on behalf of us could adversely affect our business and operations.

The semiconductor industry is characterized by vigorous protection and pursuit of intellectual property rights, which has resulted in significant and often protracted and expensive litigation. We have been involved with patent litigation and asserted intellectual property claims in the past, both as a plaintiff and a defendant, some of which have adversely affected our operating results. Although we have obtained patent licenses from certain semiconductor manufacturers, we do not have licenses from a number of semiconductor manufacturers that have broad patent portfolios. Claims alleging infringement of intellectual property rights have been asserted against us in the past and could be asserted against us in the future.

As a result of these claims, we may have to discontinue the use of certain processes, license certain technologies, cease the manufacture, use, and sale of infringing products, incur significant litigation costs and damages, indemnify customers against certain claims made against them, and develop non-infringing technology. We might not be able to obtain such licenses on acceptable terms or develop non-infringing technology. Further, the failure to renew or renegotiate existing licenses on favorable terms, or the inability to obtain a key license, could materially and adversely affect our business. Future litigation, either as a plaintiff or a defendant, could adversely affect our operating results, as a result of increased expenses, the cost of settled claims, and/or payment of damages.

We may be unable to enforce or protect our intellectual property rights.

We rely on patents, copyrights, trade secrets, mask rights, and other intellectual property rights as well as confidentiality and licensing agreements to protect our intellectual property interests. Our ability to enforce these rights is subject to general litigation risks, as well as uncertainty as to the enforceability of these rights in various countries. Should we seek to enforce our intellectual property rights, we could be subject to claims that our intellectual property rights are invalid or otherwise not enforceable. Our assertion of our intellectual property rights may result in the other party seeking to assert claims against us, which could be disruptive to and/or harm our business. Our inability to enforce our intellectual property rights under any of these circumstances may harm our competitive position and business.

We rely on access to third-party intellectual property, which may not be available to us on commercially reasonable terms or at all.

Some of our products include third-party intellectual property and/or implement industry standards, which may require licenses from third parties. Based on past experience and industry practice, we believe such licenses generally can be obtained on commercially reasonable terms. However, there is no assurance that the necessary licenses can be obtained on acceptable terms or at all. Failure to obtain the right to use third-party intellectual property, or to use such intellectual property on commercially reasonable terms, could preclude us from selling certain products or otherwise have a material adverse impact on our financial condition and operating results.

Our product manufacturing operations are complex and subject to interruption.

From time to time, we have experienced production difficulties, including lower manufacturing yields or products that do not meet our or our customers' specifications, which has resulted in delivery delays, quality problems and lost revenue opportunities. While delivery delays have been infrequent and generally short in duration, we could experience manufacturing problems, capacity constraints and/or product delivery delays in the future as a result of, among other things, the complexity of our manufacturing processes, changes to our process technologies (including transfers to other facilities and die size reduction efforts), and difficulties in ramping production. In addition, any significant quality problems could damage our reputation with our customers and could take focus away from the development of new and enhanced products. These could have a significant negative impact on our financial results.

We are dependent upon electric power and water provided by public utilities where we operate our manufacturing facility. We maintain limited backup generating capability, but the amount of electric power that we can generate on our own is insufficient to fully operate this facility, and prolonged power interruptions and restrictions on our access to water could have a significant adverse impact on our business.

Tax benefits we receive may be terminated or reduced in the future, which would increase our costs.

As a result of our international manufacturing operations, a significant portion of our worldwide profits are in jurisdictions outside the United States, primarily Malaysia, which has granted the Company significant reductions in tax rates. These lower tax rates

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allow us to record a relatively low tax expense on a worldwide basis. If U.S. corporate income tax laws were to change regarding deferral of U.S. income tax on foreign earnings or other matters impacting our operating structure, this would have a significant impact to our financial results.

We were granted a tax incentive in Malaysia during fiscal 2009. The tax incentive was contingent upon us continuing to meet specified investment criteria in fixed assets, and to operate as an APAC regional headquarters center. In the fourth quarter of fiscal 2011, the Company agreed with the Malaysia Industrial Development Board (MIDA) to cancel the previously granted tax incentive and enter into a new tax incentive agreement which provides a full tax exemption on statutory income for a period of 10 years commencing April 4, 2011. We are required to meet several conditions as to financial targets, investment, headcount and activities in Malaysia to retain this status. Our inability to renew this tax incentive or other exemptions, when they expire, or to meet certain conditions of the agreement with MIDA may adversely impact our effective tax rate.

Our financial results may be adversely affected by higher than expected tax rates or exposure to additional tax liabilities. Tax audits may have a material adverse effect on our profitability.

As a global company, our effective tax rate is highly dependent upon the geographic composition of worldwide earnings and tax regulations governing each region in which we operate. We are subject to income taxes in the United States and various foreign jurisdictions, and significant judgment is required to determine worldwide tax liabilities. The United States and other countries where we do business have been considering changes in relevant tax laws applicable to multinational corporations such as ours. These potential changes could adversely affect our effective tax rate or result in higher cash tax liabilities. In addition, our effective tax rate could be adversely affected by changes in the mix of earnings between countries with differing statutory tax rates, by changes in the valuation of deferred tax assets, or by material audit assessments, which could affect our profitability. In particular, the carrying value of deferred tax assets, which are predominantly in the United States, is dependent upon our ability to generate future taxable income in the United States. In addition, the amount of income taxes we pay is subject to ongoing audits in various jurisdictions, and a material assessment by a governing tax authority such as the Internal Revenue Service in the United States could have a material effect on our profitability.

Also, we have not made a provision for U.S. income tax on the portion of our undistributed earnings of our non-US subsidiaries that is considered permanently reinvested outside the U.S. If in the future we repatriate any of these foreign earnings, we might incur incremental U.S. income tax, which could affect our results of operations.

The costs associated with legal proceedings can be substantial, specific costs are unpredictable and not completely within our control, and unexpected increases in litigation costs could adversely affect our operating results.

We have been, and continue to be, involved in various legal proceedings from time to time, such as those described below in Part I, Item 3 "Legal Proceedings." We may face legal claims or regulatory matters involving stockholder, consumer, competition and other issues on a global basis. The costs associated with legal proceedings are typically high, relatively unpredictable, and are not completely within our control. The costs may be materially more than expected, which could adversely affect our operating results. Moreover, we may become involved in unexpected litigation with additional litigants at any time, which would increase our aggregate litigation costs, and could adversely affect our operating results. We are not able to predict the outcome of any legal action, and an adverse decision in any legal action could significantly harm our business and financial performance.

If the credit market conditions deteriorate, it could have a material adverse impact on our investment portfolio.

Although we manage our investment portfolio by purchasing only highly-rated securities and diversifying our investments across various sectors, investment types, and underlying issuers, recent volatility in the short-term financial markets has been high. We have no securities in asset-backed commercial paper and hold no auction rated or mortgage-backed securities. However, it is uncertain as to the full extent of the current credit and liquidity crisis and with possible further deterioration, particularly within one or several of the large financial institutions, the value of our investments could be negatively impacted.

Our results of operations could vary as a result of the methods, estimates, and judgments we use in applying our accounting policies.

The methods, estimates, and judgments we use in applying our accounting policies have a significant impact on our results of operations. Such methods, estimates, and judgments are, by their nature, subject to substantial risks,

uncertainties and assumptions, and factors may arise over time that lead us to change our methods, estimates, and judgments. Changes in those methods, estimates, and judgments could significantly affect our results of operations. In particular, the calculation of stock-based compensation expense under the authoritative guidance requires us to use valuation methodologies that were not developed for use in valuing employee stock options and make a number of assumptions, estimates, and conclusions regarding matters such as expected forfeitures, expected volatility of our share price and the exercise behavior of our employees. Changes in these variables could affect our stock-based compensation expense and have a significant and potentially adverse effect on our gross margins, research and development expense and selling, general and administrative expense. For more information, see "Critical Accounting Policies and Estimates" in Part II, Item 7 and "Note 1. Summary of Significant Accounting Policies" in Part II, Item 8 of this Form 10-K.

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International operations add increased volatility to our operating results.

A substantial percentage of our total revenues are derived from international sales, as summarized below:

(percentage of total revenues)	Three Months Ended July 2, 2017		Three Months Ended July 3, 2016	
Hong Kong	32	%	38	%
Rest of Asia Pacific	42	%	39	%
Americas	13	%	11	%
Europe	13	%	12	%
Total	100	%	100	%

In addition, our test facilities in Malaysia and Germany, our design centers in Canada, China, and Germany, and our foreign sales offices incur payroll, facility, and other expenses in local currencies. Accordingly, movements in foreign currency exchange rates can impact our revenues and costs of goods sold, as well as both pricing and demand for our products.

Our non-U.S. offshore sites, manufacturing subcontractors and export sales are also subject to risks associated with foreign operations, including:

- political instability and acts of war or terrorism, which could disrupt our manufacturing and logistical activities;
- regulations regarding use of local employees and suppliers;
- exposure to foreign employment practices and labor laws;
- currency controls and fluctuations, devaluation of foreign currencies, hard currency shortages and exchange rate fluctuations;
- changes in local economic conditions;
- governmental regulation of taxation of our earnings and those of our personnel; and
- changes in tax laws, import and export controls, tariffs and freight rates.

Our international locations are subject to local labor laws, which are often significantly different from U.S. labor laws and which may under certain conditions result in large separation costs upon termination.

Contract pricing for raw materials and equipment used in the fabrication and assembly processes, as well as for foundry and subcontract assembly services, may also be affected by currency controls, exchange rate fluctuations and currency devaluations. We sometimes hedge currency risk for currencies that are highly liquid and freely quoted, but may not enter into hedge contracts for currencies with limited trading volume. In addition, as much of our revenues are generated outside the United States, a significant portion of our cash and investment portfolio accumulates in the foreign countries in which we operate. On July 2, 2017, we had cash, cash equivalents and investments of approximately $244.7 million invested overseas in accounts belonging to our foreign subsidiaries. While these amounts are primarily invested in U.S. dollars, a portion is held in foreign currencies, and all offshore balances are exposed to local political, banking, currency control and other risks. In addition, these amounts may be subject to tax and other transfer restrictions.

We rely upon certain critical information systems for the operation of our business.

We maintain and rely upon certain critical information systems for the effective operation of our business. These information systems include telecommunications, the Internet, our corporate intranet, various computer hardware and software applications, network communications, and e-mail. These information systems are subject to attacks, failures, and access denials from a number of potential sources including viruses, destructive or inadequate code, power failures, and physical damage to computers, communication lines and networking equipment. To the extent that these information systems are under our control, we have implemented security procedures, such as virus protection software and emergency recovery processes, to address the outlined risks. While we believe that our information systems are appropriately controlled and that we have processes in place to adequately manage these risks, security procedures for information systems cannot be guaranteed to be failsafe and our inability to use or access these

information systems at critical points in time could unfavorably impact the timely and efficient operation of our business.

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We are exposed to potential impairment charges on certain assets.

Over the past several years, we have made several acquisitions. As a result of these acquisitions, we had $420.1 million of goodwill and $195.4 million of intangible assets on our Condensed Consolidated Balance Sheet as of July 2, 2017. In determining fair value, we consider various factors, including our market capitalization, forecasted revenue and costs, risk-adjusted discount rates, future economic and market conditions, determination of appropriate market comparables and expected periods over which our assets will be utilized and other variables. If our assumptions regarding forecasted cash flow, revenue and margin growth rates of certain long-lived asset groups and reporting units are not achieved, an impairment review may be triggered for the remaining balance of goodwill and long-lived assets prior to the next annual review in the fourth quarter of fiscal 2017, which could result in material charges that could impact our operating results and financial position.

Our reported financial results may be adversely affected by new accounting pronouncements or changes in existing accounting standards and practices.

We prepare our financial statements in conformity with accounting principles generally accepted in the United States. These accounting principles are subject to interpretation by the Financial Accounting Standards Board (FASB), SEC and various organizations formed to interpret and create appropriate accounting standards and practices. New accounting pronouncements and varying interpretations of accounting standards and practices have occurred and may occur in the future. New accounting pronouncements or a change in the interpretation of existing accounting standards or practices may have a significant effect on our reported financial results and may even affect our reporting of transactions completed before the change is announced or effective.

Our common stock may experience substantial price volatility.

Our stock price has experienced volatility in the past, and volatility in the price of our common stock may occur in the future, particularly as a result of fluctuations in global economic conditions and quarter-to-quarter variations in our actual or anticipated financial results, or the financial results of other semiconductor companies or our customers. Stock price volatility may also result from product announcements by us or our competitors, or from changes in perceptions about the various types of products we manufacture and sell. In addition, our stock price may fluctuate due to price and volume fluctuations in the stock market, especially in the technology sector, and as a result of other considerations or events described in this section.

We depend on the ability of our personnel, raw materials, equipment and products to move reasonably unimpeded around the world.

Any political, military, world health or other issue which hinders the worldwide movement of our personnel, raw materials, equipment or products or restricts the import or export of materials could lead to significant business disruptions. Furthermore, any strike, economic failure, or other material disruption on the part of major airlines or other transportation companies could also adversely affect our ability to conduct business. If such disruptions result in cancellations of customer orders or contribute to a general decrease in economic activity or corporate spending on information technology, or directly affect our marketing, manufacturing, financial and logistics functions, our results of operations and financial condition could be materially and adversely affected.

We invest in companies for strategic reasons and may not realize a return on our investments.

We make investments in companies around the world to further our strategic objectives and support our key business initiatives. Such investments include equity instruments of private companies, and many of these instruments are non-marketable at the time of our initial investment. These companies range from early-stage companies that are often still defining their strategic direction to more mature companies with established revenue streams and business models. The success of these companies is dependent on product development, market acceptance, operational efficiency, and other key business factors as well as their ability to secure additional funding, obtain favorable investment terms for future financings, or participate in liquidity events such as public offerings, mergers, and private sales. If any of these private companies fail, we could lose all or part of our investment in that company. If we determine that other-than-temporary decline in the fair value exists for an equity investment in a private company in which we have invested, we write down the investment to its fair value and recognize the related write-down as an investment loss.

When the strategic objectives of an investment have been achieved, or if the investment or business diverges from our strategic objectives, we may decide to dispose of the investment. We may incur losses on the disposal of our non-marketable investments.

We are subject to a variety of environmental and other regulations related to hazardous materials used in our manufacturing processes.

The manufacturing and testing of our products require the use of hazardous materials that are subject to a broad array of environmental, health and safety laws and regulations. Any failure by us to adequately control the use or discharge of hazardous materials under present or future regulations could subject us to substantial costs or liabilities or cause our manufacturing operations to be suspended.

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Existing and future environmental, health and safety laws and regulations could also require us to acquire pollution abatement or remediation equipment, modify our product designs, or incur other expenses associated with such laws and regulations. Many new materials that we are evaluating for use in our operations may be subject to regulation under existing or future environmental laws and regulations that may restrict our use of one or more of such materials in our manufacturing, and test processes, or products. Any of these restrictions could harm our business and results of operations by increasing our expenses or requiring us to alter our manufacturing and test processes.

Our operations could be affected by the complex laws, rules and regulations to which our business is subject.

We are subject to complex laws, rules and regulations affecting our domestic and international operations relating to, for example, environmental, safety and health; exports and imports; bribery and corruption; tax; data privacy; labor and employment; competition; and intellectual property ownership and infringement. Compliance with these laws, rules and regulations may be onerous and expensive, and if we fail to comply or if we become subject to enforcement activity, our ability to manufacture our products and operate our business could be restricted and we could be subject to fines, penalties or other legal liability. Furthermore, should these laws, rules and regulations be amended or expanded, or new ones enacted, we could incur materially greater compliance costs or restrictions on our ability to manufacture our products and operate our business.

In October 2015, the European Court of Justice invalidated the year 2000 “Safe Harbor” agreement between the European Union and the United States. Before this ruling, companies that complied with the Safe Harbor agreement were deemed to provide an adequate level of protection for European Union citizens’ personally identifiable information that was transferred to, and used in, the United States in the ordinary course of business. Since 2000, we have relied on the Safe Harbor agreement to ensure compliance with data privacy laws in Europe. In light of the October 2015 ruling invalidating the Safe Harbor agreement, we may incur fines, penalties, legal liability and/or additional material costs as we move forward to put in place policies, procedures and practices that ensure compliance with existing and evolving data privacy laws and requirements of the European Union and its member states.

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ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The following table sets forth information with respect to repurchases of our common stock during the first quarter of fiscal 2018:

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
April 3, 2017 - April 30, 2017	260,900	$ 23.55	260,900	$ 85,990,631
May 1, 2017 - May 28, 2017	581,024	$ 23.94	581,024	$ 72,073,969
May 29, 2017 - July 2, 2017	594,700	$ 24.81	594,700	$ 57,313,097
Total	1,436,624	$ 24.23	1,436,624	

In the three months ended July 2, 2017, the Company repurchased 1.4 million shares for $34.8 million. As of July 2, 2017, approximately $57.3 million was available for future purchase under the new share repurchase program. On July 28, 2017, the Company's Board of Directors approved an increase to our share repurchase authorization of $200 million.

Share repurchases were recorded as treasury stock and resulted in a reduction of stockholders' equity. The programs are intended to reduce the number of outstanding shares of our common stock to offset dilution from employee equity grants and increase shareholder value.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable.

ITEM 5. OTHER INFORMATION

None.

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ITEM 6. EXHIBITS

(a) The following exhibits are filed herewith:

Exhibit Number	Exhibit Description
3.1	Restated Certificate of Incorporation, as amended to date. Incorporated by reference to Exhibit 3.1 to Form 10-K filed on May 21, 2012.
3.2	Certificate of Designations specifying the terms of the Series A Junior Participating Preferred Stock of Integrated Device Technology, Inc., as filed with the Secretary of State of the State of Delaware. Incorporated by reference to Exhibit 3.6 to Form 8-A filed on December 23, 1998.
3.3	Amended and Restated Bylaws of the Company, as amended and restated. Incorporated by reference to Exhibit 3.3 to Form 10-Q filed on November 6, 2013.
4.1	Indenture (including form of note), dated as of November 4, 2015, between Integrated Device Technology, Inc., and Wilmington Trust, National Association, as trustee. Incorporated by reference to Exhibit 4.1 to Form 8-K filed on November 4, 2015.
10.1	Credit Agreement, dated as of April 4, 2017, by and among JPMorgan Chase Bank, N.A. (and the other lenders party thereto) and Integrated Device Technology, Inc.
10.2	Share Purchase and Transfer Agreement, dated October 23, 2015, between Global ASIC GmbH, ELBER GmbH, Freistaat Sachsen, Integrated Device Technology Bermuda Ltd. and Integrated Device Technology, Inc. Incorporated by reference to Exhibit 10.1 to Form 10-Q filed on October 29, 2015.
10.3	Letter Agreement, dated October 29, 2015, between JPMorgan Chase Bank, National Association and Integrated Device Technology, Inc., regarding the Base Warrants. Incorporated by reference to Exhibit 10.1 to Form 8-K filed on November 4, 2015.
10.4	Letter Agreement, dated October 29, 2015, between JPMorgan Chase Bank, National Association and Integrated Device Technology, Inc., regarding the Base Call Option Transaction. Incorporated by reference to Exhibit 10.2 to Form 8-K filed on November 4, 2015.
10.5	Letter Agreement, dated November 3, 2015, between JPMorgan Chase Bank, National Association and Integrated Device Technology, Inc., regarding the Additional Warrants. Incorporated by reference to Exhibit 10.3 to Form 8-K filed on November 4, 2015.
10.6	Letter Agreement, dated November 3, 2015, between JPMorgan Chase Bank, National Association and Integrated Device Technology, Inc., regarding the Additional Call Option Transaction. Incorporated by reference to Exhibit 10.4 to Form 8-K filed on November 4, 2015.
10.7	Master Confirmation—Uncollared Accelerated Share Repurchase dated November 2, 2015 between Integrated Device Technology, Inc. and JPMorgan Chase Bank, National Association. Incorporated by reference to Exhibit 10.5 to Form 8-K filed on November 4, 2015.
10.8	Master Confirmation—Uncollared Accelerated Share Repurchase dated November 2, 2015 between Integrated Device Technology, Inc. and Bank of America, N.A. Incorporated by reference to Exhibit 10.6 to Form 8-K filed on November 4, 2015.
31.1	Certification of Chief Executive Officer as required by Rule 13a-14(a) and 15(d)-14(a) of the Securities Exchange Act of 1934, as amended.
31.2	Certification of Chief Financial Officer as required by Rule 13a-14(a) and 15(d)-14(a) of the Securities Exchange Act of 1934, as amended.
32.1*	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2*	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.

101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.

* This certification accompanies this report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed “filed” by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

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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.

	INTEGRATED DEVICE TECHNOLOGY, INC. Registrant By: /s/ Gregory L. Waters
August 8, 2017	Gregory L. Waters President and Chief Executive Officer
	/s/ Brian C. White
August 8, 2017	Brian C. White Senior Vice President, Chief Financial Officer (Principal Financial and Accounting Officer)