MARVELL TECHNOLOGY GROUP LTD
Form 10-Q
August 31, 2017

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q
(Mark One)
ý QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended July 29, 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 number: 000-30877
Marvell Technology Group Ltd.
(Exact name of registrant as specified in its charter)

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

Canon’s Court, 22 Victoria Street, Hamilton HM 12, Bermuda
(441) 296-6395
(Address of principal executive offices, Zip Code and registrant’s telephone number, including area code)
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ý Yes ¨ No
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). ý Yes ¨ No
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company” and “emerging growth company” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer 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. ¨
The number of common shares of the registrant outstanding as of August 24, 2017 was 495.8 million shares.

Table of Contents

TABLE OF CONTENTS

PART I: FINANCIAL INFORMATION
Item 1. Financial Statements
MARVELL TECHNOLOGY GROUP LTD.
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except par value per share)

	July 29, 2017	January 28, 2017
ASSETS		
Current assets:		
Cash and cash equivalents	$630,501	$814,092
Short-term investments	943,006	854,268
Accounts receivable, net	371,697	335,384
Inventories	175,355	170,842
Prepaid expenses and other current assets	46,491	58,771
Assets held for sale	41,896	57,077
Total current assets	2,208,946	2,290,434
Property and equipment, net	235,354	243,397
Goodwill and acquired intangible assets, net	1,994,743	1,996,880
Other non-current assets	148,407	117,939
Total assets	$4,587,450	$4,648,650
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$153,862	$143,484
Accrued liabilities	106,351	143,491
Accrued employee compensation	131,272	139,647
Deferred income	70,063	63,976
Liabilities held for sale	1,015	5,818
Total current liabilities	462,563	496,416
Non-current income taxes payable	55,714	60,646
Other non-current liabilities	95,076	63,937
Total liabilities	613,353	620,999
Commitments and contingencies (Note 9)		
Shareholders' equity:		
Common shares, $0.002 par value	991	1,012
Additional paid-in capital	2,752,541	3,016,775
Accumulated other comprehensive income	899	23
Retained earnings	1,219,666	1,009,841
Total shareholders' equity	3,974,097	4,027,651
Total liabilities and shareholders' equity	$4,587,450	$4,648,650

See accompanying notes to unaudited condensed consolidated financial statements

MARVELL TECHNOLOGY GROUP LTD.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share amounts)

	Three Months Ended		Six Months Ended	
	July 29, 2017	July 30, 2016	July 29, 2017	July 30, 2016
Net revenue	$604,750	$597,346	$1,177,459	$1,110,979
Cost of goods sold	239,572	270,427	466,770	510,360
Gross profit	365,178	326,919	710,689	600,619
Operating expenses:				
Research and development	180,871	207,943	368,967	427,351
Selling, general and administrative	55,659	67,896	110,763	131,964
Restructuring related charges	4,285	721	5,171	5,162
Total operating expenses	240,815	276,560	484,901	564,477
Operating income from continuing operations	124,363	50,359	225,788	36,142
Interest and other income, net	7,188	6,284	10,521	7,772
Income from continuing operations before income taxes	131,551	56,643	236,309	43,914
Provision (benefit) for income taxes	(3,899)	(5,823)	1,267	(11,260)
Income from continuing operations, net of tax	135,450	62,466	235,042	55,174
Income (loss) from discontinued operations, net of tax	29,809	(11,161)	36,838	(26,548)
Net income	$165,259	$51,305	$271,880	$28,626
Net income (loss) per share - Basic:				
Continuing operations	$0.27	$0.12	$0.47	$0.11
Discontinued operations	$0.06	$(0.02)	$0.07	$(0.05)
Net income per share - basic	$0.33	$0.10	$0.54	$0.06
Net income (loss) per share - Diluted:				
Continuing operations	$0.26	$0.12	$0.46	$0.11
Discontinued operations	$0.06	$(0.02)	$0.07	$(0.05)
Net income per share - diluted	$0.32	$0.10	$0.53	$0.06
Weighted average shares:				
Basic	500,817	511,235	502,303	510,014
Diluted	510,309	514,314	513,951	513,669
Cash dividends declared per share	$0.06	$0.06	$0.12	$0.12

See accompanying notes to unaudited condensed consolidated financial statements

Table of Contents

MARVELL TECHNOLOGY GROUP LTD.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands)

	Three Months Ended		Six Months Ended	
	July 29, 2017	July 30, 2016	July 29, 2017	July 30, 2016
Net income	$165,259	$51,305	$271,880	$28,626
Other comprehensive income (loss), net of tax:				
Net change in unrealized gain (loss) on marketable securities	556	1,976	(117)	4,409
Net change in unrealized gain (loss) on cash flow hedges	(765)	(183)	993	401
Net change in pension liability	1,272	—	—	—
Other comprehensive income, net of tax	1,063	1,793	876	4,810
Comprehensive income, net of tax	$166,322	$53,098	$272,756	$33,436

See accompanying notes to unaudited condensed consolidated financial statements

Table of Contents

MARVELL TECHNOLOGY GROUP LTD.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Six Months Ended	
	July 29, 2017	July 30, 2016
Cash flows from operating activities:		
Net income	$271,880	$28,626
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	41,186	53,980
Share-based compensation	46,439	61,649
Amortization and write-off of acquired intangible assets	2,136	5,892
Deferred income taxes	2,791	(2,423)
Excess tax benefits from share-based compensation	—	(5)
Gain on sale of businesses	(47,464)	—
Other	(1,886)	2,975
Changes in assets and liabilities:		
Accounts receivable	(36,313)	(25,383)
Inventories	(14,712)	7,234
Prepaid expenses and other assets	8,882	(6,612)
Accounts payable	3,968	40,359
Accrued liabilities and other non-current liabilities	(33,418)	(30,243)
Carnegie Mellon University accrued litigation settlement	—	(736,000)
Accrued employee compensation	(8,375)	(15,118)
Deferred income	1,284	16,327
Net cash provided by (used in) operating activities	236,398	(598,742)
Cash flows from investing activities:		
Purchases of available-for-sale securities	(376,227)	(203,723)
Sales of available-for-sale securities	116,700	340,095
Maturities of available-for-sale securities	169,611	146,470
Purchase of time deposits	(150,000)	(125,000)
Maturities of time deposits	150,000	—
Return of investment from privately-held companies	2,388	—
Purchases of technology licenses	(1,701)	(8,045)
Purchases of property and equipment	(14,046)	(24,377)
Net proceeds from sale of businesses	72,229	—
Net cash provided by (used in) investing activities	(31,046)	125,420
Cash flows from financing activities:		
Repurchases of common stock	(387,558)	—
Proceeds from employee stock plans	97,811	559
Minimum tax withholding paid on behalf of employees for net share settlement	(24,814)	(15,382)
Dividend payments to shareholders	(60,086)	(61,136)
Payments on technology license obligations	(14,296)	(10,152)
Excess tax benefits on share-based compensation	—	5
Net cash used in financing activities	(388,943)	(86,106)
Net decrease in cash and cash equivalents	(183,591)	(559,428)
Cash and cash equivalents at beginning of period	814,092	1,278,180

Cash and cash equivalents at end of period	$630,501	$718,752

See accompanying notes to unaudited condensed consolidated financial statements

Table of Contents
MARVELL TECHNOLOGY GROUP LTD.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Basis of Presentation

The unaudited condensed consolidated financial statements of Marvell Technology Group Ltd., a Bermuda exempted company, and its wholly owned subsidiaries (the “Company”), as of and for the three and six months ended July 29, 2017, have been prepared as required by the U.S. Securities and Exchange Commission (the “SEC”). Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles (“U.S. GAAP”) have been condensed or omitted as permitted by the SEC. These unaudited condensed consolidated financial statements and related notes should be read in conjunction with the Company's fiscal year 2017 audited financial statements included in the Company's Annual Report on Form 10-K for the fiscal year ended January 28, 2017. In the opinion of management, the financial statements include all adjustments, including normal recurring adjustments and other adjustments that are considered necessary for fair presentation of the Company’s financial position and results of operations. All inter-company accounts and transactions have been eliminated. Operating results for the periods presented herein are not necessarily indicative of the results that may be expected for the entire year. The Company's financial results for prior periods presented herein have been recast to reflect certain businesses that were classified as discontinued operations during the fourth quarter of fiscal year 2017 and second quarter of fiscal year 2018. See Note 3. Discontinued Operations for additional information. Certain prior year amounts have been reclassified to conform to current year presentation. These amounts were not material to any of the periods presented.

The Company’s fiscal year is the 52- or 53-week period ending on the Saturday closest to January 31. Accordingly, every fifth or sixth fiscal year will have a 53-week period. The additional week in a 53-week year is added to the fourth quarter, making such quarter consist of 14 weeks. Fiscal 2017 had a 52-week year. Fiscal 2018 is a 53-week year.

During the first fiscal quarter of 2018, the Company recorded certain out-of-period adjustments of $4.7 million related to revenue-related accruals and $3.2 million related to other expenses. The net effect of these out-of-period adjustments resulted in a $7.9 million increase in income from continuing operations for the six months ended July 29, 2017 and an increase in earnings per share from continuing operations of $0.02 per share, as well as contributing to the increase in revenue and gross margin for the six months ended July 29, 2017.

Note 2. Recent Accounting Pronouncements

Accounting Pronouncements Not Yet Effective

In May 2014, the FASB issued a new accounting standard on the recognition of revenue from contracts with customers that will supersede nearly all existing revenue recognition guidance under GAAP. The new standard will require an entity to recognize revenue from the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance addresses, in particular, contracts with more than one performance obligation, as well as the accounting for certain costs to obtain or fulfill a contract with a customer, and provides for additional disclosures with respect to revenue and cash flows arising from contracts with customers. Public entities are required to apply the amendments on either a full or modified retrospective basis for annual periods beginning after December 15, 2017 and for interim periods within those annual periods. This update will be effective for the Company beginning in the first quarter of fiscal year 2019. The Company plans to adopt the standard on a modified retrospective basis, with the cumulative effect recognized at adoption.

The Company’s initial assessment has identified a change in revenue recognition timing on our component sales made to distributors. The Company expects to recognize revenue when the Company transfers control to the distributor rather than deferring recognition until the distributor sells the components. Other changes may be identified as the Company continues its implementation planning process. On the date of initial adoption, the Company will remove the deferred income on component sales made to distributors through a cumulative adjustment to retained earnings.

To date, the Company has completed the assessment phase of its revenue project and is currently in the implementation, planning, design and development phase, identifying systems and process changes necessary to enable compliance with the new standard. The Company will continue to monitor relevant elements and finalize its evaluation of any changes to its accounting policies and disclosures.

In January 2016, the FASB issued an accounting standard update that changes the accounting for equity investments, financial liabilities under the fair value option, and the presentation and disclosure requirements for financial instruments. The accounting standard update will be effective for the Company beginning in the first quarter of fiscal 2019, and early adoption is permitted. The Company is currently evaluating the impact of this accounting standard update on its consolidated financial statements.

In February 2016, the FASB issued a new standard on the accounting for leases, which requires a lessee to record a right-of-use asset and a corresponding lease liability on the balance sheet for all leases with terms longer than twelve months. The standard also expands the required quantitative and qualitative disclosures for lease arrangements. The standard is effective for the Company beginning in the first quarter of fiscal year 2020. The Company is currently evaluating the effect this new guidance will have on its consolidated financial statements.

In June 2016, the FASB issued a new standard requiring financial assets measured at amortized cost be presented at the net amount expected to be collected, through an allowance for credit losses that is deducted from the amortized cost basis. The standard eliminates the probable initial recognition in current GAAP and reflects an entity’s current estimate of all expected credit losses. The measurement of expected credit losses is based on historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the financial assets. The standard is effective for the Company beginning in the first quarter of fiscal year 2021. The Company does not expect the adoption of this guidance will have a material effect on its consolidated financial statements.

In August 2016, the FASB issued an accounting standards update to add or clarify guidance on the classification of certain cash receipts and cash payments in the statement of cash flows. The amendments in the update provide guidance on eight specific cash flow issues and is effective for the Company beginning in the first quarter of fiscal year 2019. Early adoption is permitted, including adoption in an interim period. The amendments to the guidance should be applied using a retrospective transition method for each period presented and, if it is impracticable to apply all of the amendments retrospectively for some of the issues, the amendments for those issues would be applied prospectively as of the earliest date practicable. The Company does not expect the adoption of this guidance to have a material effect on the Company's consolidated financial statements.

In October 2016, the FASB issued new guidance that simplifies the accounting for the income tax effects of intra-entity transfers and will require companies to recognize the income tax effects of intra-entity transfers of assets other than inventory when the transfer occurs. Previous guidance required companies to defer the income tax effects of intra-entity transfers of assets until the asset had been sold to an outside party or otherwise recognized. The guidance is effective for the Company beginning in the first quarter of fiscal year 2019. Early adoption is permitted, including adoption in an interim period. The Company does not expect the adoption of this guidance to have a material effect on its consolidated financial statements.

In November 2016, the FASB issued new guidance that requires entities to include in their cash and cash-equivalent balances in the statement of cash flows those amounts that are deemed to be restricted cash and restricted cash equivalents. As a result, companies will no longer present transfers between cash and cash equivalents and restricted cash and restricted cash equivalents in the statement of cash flows. The guidance is effective for the Company beginning in the first quarter of fiscal year 2019. Early adoption is permitted, including adoption in an interim period. The Company does not expect the adoption of this guidance to have a material effect on its consolidated financial statements.

In January 2017, the FASB issued an accounting standards update that revises the definition of a business. The amendments provide a more robust framework for determining when a set of assets and activities is a business. The update is intended to help companies evaluate whether transactions should be accounted for as acquisitions or disposals of assets or businesses. The guidance is effective for annual and interim periods beginning after December

15, 2018. Early adoption is permitted for certain transactions, as specifically described in the guidance. The Company is evaluating the effect this new guidance will have on its consolidated financial statements.

In May 2017, the FASB issued an accounting standards update that provides guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting. Unless the changes in terms or conditions meet all three criteria outlined in the guidance, modification accounting should be applied. The three criteria relate to changes in the terms and conditions that affect the fair value, vesting conditions, or classification of a share-based payment award. The amendment is effective for the Company beginning in the first quarter of fiscal year 2019. Early adoption is permitted. The guidance is required to be applied prospectively to an award modified on or after the adoption date. The Company does not expect the adoption of this guidance to have a material effect on its consolidated financial statements.

Note 3. Discontinued Operations

Table of Contents
MARVELL TECHNOLOGY GROUP LTD.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

In November 2016, the Company announced a plan to restructure its operations to refocus its research and development, increase operational efficiency and improve profitability. As part of those actions, the Company began an active program to locate buyers for several businesses. The Company concluded that the divestitures of these businesses represented a strategic shift that has a major effect on the Company's operations and financial results. These businesses were deemed not to align with the Company's core business.

In February 2017, the Company entered into an agreement to sell the assets of one of these businesses, the Broadband operations. The transaction closed on April 4, 2017. Based on the terms of the agreement, the Company received sale consideration of $23 million in cash proceeds. The divestiture resulted in a pre-tax gain on sale of $8.2 million, which is included within income from discontinued operations in the consolidated statements of operations.

In May 2017, the Company sold the assets of a second business, the LTE thin-modem operations. The transaction closed on May 18, 2017. Based on the terms of the agreement, the Company received sale consideration of $52.9 million. The divestiture resulted in a pre-tax gain on sale of $34.0 million, which is included within income from discontinued operations in the consolidated statements of operations. The Company has classified this business as discontinued operations for all periods presented in its consolidated financial statements starting with the filing of this Form 10-Q for the three and six months ended July 29, 2017.

In June 2017, the Company entered into an agreement to sell the assets of a third business, the Multimedia operations. This business continues to be presented as discontinued operations in the consolidated statements of operations as of July 29, 2017. The transaction is expected to close in the third quarter of fiscal 2018.

The following table presents a reconciliation of the carrying amounts of major classes of assets and liabilities of the discontinued operations to the total assets and liabilities of the disposal group classified as held for sale that are presented separately in the consolidated balance sheets (in thousands):

	July 29, 2017	January 28, 2017
Assets held for sale:		
Inventory	$16,609	$9,281
Property and equipment, net	2,797	5,270
Goodwill	20,775	36,636
Acquired intangible assets, net	—	3,799
Other	1,715	1,490
Assets held for sale for discontinued operations	41,896	56,476
Other assets held for sale	—	601
Total assets of the disposal group classified as held for sale	$41,896	$57,077
Liabilities held for sale:		
Deferred income	$1,015	$5,818

The following table presents a reconciliation of the major financial lines constituting the results of operations for discontinued operations to the net income (loss) from discontinued operations presented separately in the consolidated statements of operations (in thousands):

8

MARVELL TECHNOLOGY GROUP LTD.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

	Three Months Ended		Six Months Ended	
	July 29, 2017	July 30, 2016	July 29, 2017	July 30, 2016
Net revenue	$32,994	$29,057	$72,020	$56,247
Operating costs and expenses:				
Cost of goods sold	16,870	17,182	36,978	36,460
Research and development	14,555	20,948	32,169	41,998
Selling, general and administrative	910	1,782	2,642	3,549
Operating costs and expenses	32,335	39,912	71,789	82,007
Income (loss) from discontinued operations before income taxes	659	(10,855)	231	(25,760)
Gain from sale of a business	34,032	—	42,187	—
Provision for income taxes	4,882	306	5,580	788
Income (loss) from discontinued operations, net of tax	$29,809	$(11,161)	$36,838	$(26,548)

The Company has elected not to report separately discontinued operations in its consolidated statements of cash flows since its effect is not material. Non-cash operating amounts reported for discontinued operations include share-based compensation expense of $1.1 million and $3.3 million for the three and six months ended July 29, 2017 and $4.1 million and $7.1 million for the three and six months ended July 30, 2016, respectively. Depreciation, amortization and capital expenditures are not material. The proceeds from sale of the LTE thin-modem business of $49.2 million and proceeds from sale of the Broadband business of $23.0 million are classified in investing activities for the six months ended July 29, 2017, and the gain on sale of such business is presented in operating activities. Due to the Company's transfer pricing arrangements, the Company generates income in most jurisdictions in which it operates, regardless of a loss that may exist on a consolidated basis. In addition, the Company recognized a tax expense of $4.6 million on the sale of is LTE thin-modem business for the three and six month period ended July 29, 2017. As such, the Company has reflected a tax expense of $4.9 million and $5.6 million for the three and six months ended July 29, 2017 and $0.3 million and $0.8 million for the three and six months ended July 30, 2016, respectively, attributable to discontinued operations.

Note 4. Restructuring Related Charges
In November 2016, the Company announced a restructuring plan intended to refocus its research and development, increase operational efficiency and improve profitability. As a continuation of such plan, the Company recorded restructuring related charges of $4.3 million and $5.2 million in the three and six months ended July 29, 2017. The following table presents details of charges recorded by the Company related to the restructuring actions described below (in thousands):

Table of Contents
MARVELL TECHNOLOGY GROUP LTD.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

	Three Months Ended		Six Months Ended	
	July 29, 2017	July 30, 2016	July 29, 2017	July 30, 2016
Restructuring related charges:				
Severance and related costs	$3,628	$ 15	$5,836	$15
Facilities and related costs	841	846	442	4,477
Other exit-related costs	40	—	420	—
	4,509	861	6,698	4,492
Release of reserves:				
Severance	(194)	—	(911)	(86)
Facilities and related costs	—	—	—	—
Other exit-related	(100)	(269)	(170)	(269)
	(294)	(269)	(1,081)	(355)
Impairment and write-off of assets:				
Technology license	—	—	174	—
Equipment and other	70	129	(620)	1,025
	70	129	(446)	1,025
Restructuring related charges	$4,285	$ 721	$5,171	$5,162

The Company is on track to complete activities related to the restructuring plan as previously announced.
The following table sets forth a reconciliation of the beginning and ending restructuring liability balances by each major type of cost associated with the restructuring charges (in thousands):

	November 2016 & Other Prior Restructuring			
	Severance and Related Costs	Facilities and Related Costs	Other Exit-Related Costs	Total
Balance at January 28, 2017	$17,000	$ 2,474	$ 4,625	$24,099
Restructuring charges	11,921	442	420	12,783
Net cash payments	(20,049)	(1,287)	(4,122)	(25,458)
Release of reserves	(911)	(70)	(100)	(1,081)
Balance at July 29, 2017	$7,961	$ 1,559	$ 823	$10,343

The remaining accrued severance represents termination benefits determined to have been established under a substantive ongoing benefit arrangement for which payment was considered probable due to the timing of notification to certain additional employee groups, and is expected to be paid in the third quarter of fiscal 2018. Severance charges of $5.4 million and $6.1 million in the three and six months ended July 29, 2017, respectively, relate to discontinued operations and have been included in income (loss) from discontinued operations, net of tax, in the Company's condensed consolidated statements of operations. The accrued balance at July 29, 2017 for facilities and related costs includes remaining payments under lease obligations related to vacated space that are expected to be paid through fiscal 2020. Other exit-related costs are expected to be paid in the third quarter of fiscal 2018.

Note 5. Supplemental Financial Information (in thousands)
Consolidated Balance Sheets

10

Table of Contents
MARVELL TECHNOLOGY GROUP LTD.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

	July 29, 2017	January 28, 2017
Inventories:		
Work-in-process	$126,730	$ 109,362
Finished goods	48,625	61,480
Total inventories	$175,355	$ 170,842

Inventory held by third-party logistics providers is recorded as consigned inventory on the Company's unaudited condensed consolidated balance sheet. The amount of inventory held at third-party logistics providers was $16.7 million and $26.5 million at July 29, 2017 and January 28, 2017, respectively.

	July 29, 2017	January 28, 2017
Property and equipment, net:		
Machinery and equipment	$518,940	$578,248
Buildings and building improvements	194,399	194,290
Computer software	93,724	99,186
Land	53,373	53,373
Leasehold improvements	45,847	49,004
Furniture and fixtures	23,064	23,903
Construction in progress	16,269	11,240
	945,616	1,009,244
Less: Accumulated depreciation and amortization	(710,262)	(765,847)
Total property and equipment, net	$235,354	$243,397

Current accrued liabilities are comprised of the following at July 29, 2017 and January 28, 2017, respectively:

	July 29, 2017	January 28, 2017
Accrued liabilities:		
Technology license obligations	$24,421	$ 21,905
Accrued royalties	16,646	17,349
Accrued rebates	16,250	26,095
Accrued legal related expenses	13,483	7,727
Unsettled investment trades	3,666	15,371
Restructuring liability	4,970	23,150
Other	26,915	31,894
Total accrued liabilities	$106,351	$ 143,491

Unsettled investment trades represent the accrual to address the timing difference between trade date and cash settlement date.

	July 29, 2017	January 28, 2017
Deferred income:		
Deferred revenue	$94,039	$ 87,968

Deferred cost of goods sold	(23,976)	(23,992)
Deferred income	$ 70,063	$ 63,976

11

MARVELL TECHNOLOGY GROUP LTD.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

	July 29, 2017	January 28, 2017
Other non-current liabilities:		
Deferred tax liabilities	$52,593	$ 38,777
Technology license obligations	39,592	14,949
Long-term accrued employee compensation	1,287	4,075
Other	1,604	6,136
Other non-current liabilities	$95,076	$ 63,937

Accumulated other comprehensive income (loss)

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

	Unrealized Gain (Loss) on Marketable Securities	Unrealized Gain (Loss) on Cash Flow Hedges	Total
Balance at January 28, 2017	$ (801)	$ 824	$23
Other comprehensive income (loss) before reclassifications	(146)	2,341	2,195
Amounts reclassified from accumulated other comprehensive income (loss)	29	(1,348)	(1,319)
Other comprehensive income (loss)	(117)	993	876
Balance at July 29, 2017	$ (918)	$ 1,817	$899

	Unrealized Gain (Loss) on Marketable Securities	Unrealized Gain (Loss) on Cash Flow Hedges	Total
Balance at January 30, 2016	$ (656)	$ (139)	$(795)
Other comprehensive income before reclassifications	4,471	788	5,259
Amounts reclassified from accumulated other comprehensive income	(62)	(387)	(449)
Other comprehensive income	4,409	401	4,810
Balance at July 30, 2016	$ 3,753	$ 262	$4,015

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

	Three Months Ended		Six Months Ended	
Affected Line Item in the Statements of Operations:	July 29, 2017	July 30, 2016	July 29, 2017	July 30, 2016
Interest and other income, net:				
Available-for-sale securities:				
Marketable securities	$ 12	$ 178	$(29)	$ 62
Operating costs and expenses:				
Cash flow hedges:				
Research and development	1,003	390	1,074	339
Selling, general and administrative	265	54	274	48

Total	$ 1,280	$ 622	$1,319	$ 449

Table of Contents
MARVELL TECHNOLOGY GROUP LTD.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

Consolidated Statements of Operations

	Three Months Ended		Six Months Ended	
	July 29, 2017	July 30, 2016	July 29, 2017	July 30, 2016
Interest a				