

Silicon Labs Reports Record Revenue Company Delivers 15 Percent Revenue Growth in 2012

“ We had an excellent year in 2012, achieving record revenue levels and increasing our market share ”

AUSTIN, Texas--([BUSINESS WIRE](#))--[Silicon Labs](#) (Nasdaq: SLAB), a leader in high-performance, analog-intensive, mixed-signal integrated circuits (ICs), today reported record revenue for the fourth quarter and the full year. Revenue of \$563.3 million for 2012 was an impressive 15 percent increase compared to 2011.

Financial Highlights

Fourth quarter revenue of \$152.5 million was up 20 percent compared to the same period last year. On a GAAP-basis, gross margin improved meaningfully to 61.4 percent. R&D investment increased to \$36.0 million, and SG&A expense increased to \$32.3 million. Resulting GAAP operating income decreased to 16.6 percent. Diluted GAAP earnings per share increased to \$0.44. For all of 2012, GAAP gross margin was 60 percent and operating expenses increased only slightly by two percent to \$252.3 million, resulting in a five hundred basis point improvement in operating margin to 15.2 percent. GAAP earnings increased therefore by 86 percent to \$1.47.

The following non-GAAP results exclude the impact of stock compensation and other one-time items. Gross margin improved to 61.6 percent for the quarter. Operating expenses increased to 39.5 percent of revenue. R&D increased to \$32.7 million, and SG&A increased to \$27.5 million due to increasing product and sales activity as well as higher variable compensation driven by the outperformance for the quarter. Operating income for the quarter was a record for the year at 22.1 percent. Diluted earnings per share for the quarter were 61 cents, a 24 percent year-over-year increase.

For all of 2012, Silicon Labs reduced operating expenses to 40.3 percent of revenue and improved operating income to 20.7 percent of revenue. Diluted earnings per share increased by 20 percent to \$2.16. Reconciling charges are set forth in the financial measures table included below.

The company repurchased 245 thousand shares of stock and ended the quarter with \$293 million in cash, cash equivalents and investments due to continued healthy cash flow from operations.

Business Highlights

The company's strong performance in 2012 was driven by high growth in the Broadcast and Broad-based products. Broadcast growth was driven by the rapid adoption of the company's TV tuner products, which represented one third of the TV market in 2012. The Broad-based products, which grew more than 30 percent in 2012, significantly outgrew their end markets as the company added customers and expanded its sales channel.

In the fourth quarter, the Broad-based business was up as expected driven by a record quarter for the Timing products. Timing strength came from new business in consumer and embedded applications, a direct result of the company's investments to broaden the portfolio. The MCU products were up more than 45 percent year over year due to growth from strong organic execution and from a recent acquisition. The Broadcast business exceeded expectations due to record revenue for the company's video products. The Access business also grew sequentially in the fourth quarter.

“We had an excellent year in 2012, achieving record revenue levels and increasing our market share,” said Tyson Tuttle, president and CEO of Silicon Laboratories. “We are addressing very large markets with a growing portfolio of differentiated products, we have a record backlog of design wins, and we believe that as we continue to execute, this will enable growth in 2013 and beyond.”

The company expects revenue for the first quarter to be down sequentially four to eight percent.

Webcast and Conference Call

A conference call discussing the quarterly results will follow this press release at 7:30 a.m. Central time. An audio webcast will be available simultaneously on Silicon Labs' website under Investor Relations (www.silabs.com). A replay will be available after the call at the same website listed above or by calling 1 (855) 859-2056 or +1 (404) 537-3406 (international) and by entering 39714732. The replay will be available through February 13.

About Silicon Labs

Silicon Labs is a leading designer of high-performance, analog-intensive, mixed-signal integrated circuits (ICs) for a broad range of applications. Silicon Labs' diverse portfolio of highly integrated, patented solutions is developed by a world-class engineering team with expertise in cutting-edge mixed-signal design. The company has design, engineering, marketing, sales and applications offices throughout North America, Europe and Asia. For more information about Silicon Labs, please visit www.silabs.com.

Forward-Looking Statements

This press release contains forward-looking statements based on Silicon Labs' current expectations. The words "believe," "estimate," "expect," "intend," "anticipate," "plan," "project," "will" and similar phrases as they relate to Silicon Laboratories are intended to identify such forward-looking statements. These forward-looking statements reflect the current views and assumptions of Silicon Labs and are subject to various risks and uncertainties that could cause actual results to differ materially from expectations. Among the factors that could cause actual results to differ materially from those in the forward-looking statements are the following: risks that Silicon Labs may not be able to maintain its historical growth; quarterly fluctuations in revenues and operating results; volatile stock price; average selling prices of products may decrease significantly and rapidly; difficulties developing new products that achieve market acceptance; dependence on a limited number of products and customers; intellectual property litigation risks; inventory-related risks; risks associated with acquisitions; difficulties managing international activities; difficulties managing our manufacturers and subcontractors; risks that Silicon Labs may not be able to manage strains associated with its growth; credit risks associated with our accounts receivable; dependence on key personnel; risks associated with divestitures; geographic concentration of manufacturers, assemblers, test service providers and customers in Asia that subjects Silicon Labs' business and results of operations to risks of natural disasters, epidemics, war and political unrest; the competitive and cyclical nature of the semiconductor industry and other factors that are detailed in Silicon Labs' filings with the SEC. Silicon Labs disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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Silicon Laboratories Inc.
Condensed Consolidated Statements of Income
(In thousands, except per share data)
(Unaudited)

| | Three Months Ended | | Year Ended | |
|---|---------------------------|-----------------|-------------------|-----------------|
| | December | December | December | December |
| | 29, | 31, | 29, | 31, |
| | 2012 | 2011 | 2012 | 2011 |
| Revenues | \$ 152,461 | \$ 126,692 | \$ 563,294 | \$ 491,625 |
| Cost of revenues | 58,835 | 49,513 | 225,277 | 193,179 |
| Gross margin | 93,626 | 77,179 | 338,017 | 298,446 |
| Operating expenses: | | | | |
| Research and development | 36,009 | 34,705 | 137,952 | 135,953 |
| Selling, general and administrative | 32,315 | 27,251 | 114,390 | 112,419 |
| Operating expenses | 68,324 | 61,956 | 252,342 | 248,372 |
| Operating income | 25,302 | 15,223 | 85,675 | 50,074 |
| Other income (expense): | | | | |
| Interest income | 235 | 427 | 1,338 | 1,859 |
| Interest expense | (850) | (23) | (1,149) | (37) |
| Other income (expense), net | (323) | 152 | 484 | 444 |
| Income before income taxes | 24,364 | 15,779 | 86,348 | 52,340 |
| Provision for income taxes | 5,669 | 2,974 | 22,800 | 16,868 |
| Net income | \$ 18,695 | \$ 12,805 | \$ 63,548 | \$ 35,472 |
| Earnings per share: | | | | |
| Basic | \$ 0.45 | \$ 0.31 | \$ 1.51 | \$ 0.82 |
| Diluted | \$ 0.44 | \$ 0.29 | \$ 1.47 | \$ 0.79 |
| Weighted-average common shares outstanding: | | | | |
| Basic | 41,705 | 41,979 | 42,136 | 43,421 |
| Diluted | 42,641 | 43,410 | 43,106 | 44,832 |

Unaudited Reconciliation of GAAP to Non-GAAP Financial Measures
(In thousands, except per share data)

Non-GAAP

| Income Statement Items | Three Months Ended December 29, 2012 | | | | | | | |
|-------------------------------------|--------------------------------------|-------------------------|----|----------------------------|-----------------------------------|---------------------------|------------------|-----------------------------|
| | GAAP Measure | GAAP Percent of Revenue | | Stock Compensation Expense | Termination Costs and Impairments | Acquisition Related Items | Non-GAAP Measure | Non-GAAP Percent of Revenue |
| Revenues | \$ 152,461 | | | | | | | |
| Gross margin | 93,626 | 61.4 % | \$ | 268 | \$ -- | \$ -- | \$ 93,894 | 61.6 % |
| Research and development | 36,009 | 23.6 % | | 3,006 | 262 | -- | 32,741 | 21.5 % |
| Selling, general and administrative | 32,315 | 21.2 % | | 4,106 | 1,967 | (1,253) | 27,495 | 18.0 % |
| Operating expenses | 68,324 | 44.8 % | | 7,112 | 2,229 | (1,253) | 60,236 | 39.5 % |
| Operating income | 25,302 | 16.6 % | | 7,380 | 2,229 | (1,253) | 33,658 | 22.1 % |

| Non-GAAP Diluted Earnings Per Share | Three Months Ended December 29, 2012 | | | | | |
|-------------------------------------|--------------------------------------|----------------------------|-----------------------------------|---------------------------|------------------|--|
| | GAAP Measure | Stock Compensation Expense | Termination Costs and Impairments | Acquisition Related Items | Non-GAAP Measure | |
| Net income | \$ 18,695 | \$ 6,667 | \$ 1,829 | \$ (1,253) | \$ 25,938 | |
| Diluted shares outstanding | 42,641 | -- | -- | -- | 42,641 | |
| Diluted earnings per share | \$ 0.44 | | | | \$ 0.61 | |

**Unaudited Reconciliation of GAAP to Non-GAAP Financial Measures
(In thousands, except per share data)
(Continued)**

| Non-GAAP Income Statement Items | Year Ended December 29, 2012 | | | | | | | | |
|---------------------------------|------------------------------|-------------------------|----|-----------------------------|-----------------------------------|---------------------------|-----------------------|------------------|-----------------------------|
| | GAAP Measure | GAAP Percent of Revenue | | Stock Compensation Expense* | Termination Costs and Impairments | Acquisition Related Items | Headquarters Purchase | Non-GAAP Measure | Non-GAAP Percent of Revenue |
| Revenues | \$ 563,294 | | | | | | | | |
| Operating | 252,342 | 44.8 % | \$ | 28,038 | \$ 6,735 | \$ (1,361) | \$ (8,113) | \$ 227,043 | 40.3 % |

expenses

| | | | | | | | | |
|------------------|--------|--------|--------|-------|-------|----------|---------|--------|
| Operating income | 85,675 | 15.2 % | 29,244 | 6,735 | 3,105 | (8,113) | 116,646 | 20.7 % |
|------------------|--------|--------|--------|-------|-------|----------|---------|--------|

| Non-GAAP Diluted Earnings Per Share | Year Ended December 29, 2012 | | | | | | | Non-GAAP Measure |
|-------------------------------------|------------------------------|-----------------------------|-----------------------------------|---------------------------|-----------------------|--------------------------------------|-----------|------------------|
| | GAAP Measure | Stock Compensation Expense* | Termination Costs and Impairments | Acquisition Related Items | Headquarters Purchase | Release of Unrecognized Tax Benefits | | |
| Net income | \$ 63,548 | \$ 25,578 | \$ 4,561 | \$ 11,932 | \$ (5,274) | \$ (7,265) | \$ 93,080 | |
| Diluted shares outstanding | 43,106 | -- | -- | -- | -- | -- | 43,106 | |
| Diluted earnings per share | \$ 1.47 | | | | | | \$ 2.16 | |

* Excludes stock compensation recognized in connection with terminations costs for our former CEO.

**Silicon Laboratories Inc.
Condensed Consolidated Balance Sheets
(In thousands, except per share data)
(Unaudited)**

| | December 29, 2012 | December 31, 2011 |
|---|-------------------|-------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 105,426 | \$ 94,964 |
| Short-term investments | 176,565 | 212,526 |
| Accounts receivable, net of allowances for doubtful accounts of \$670 at December 29, 2012 and \$725 at December 31, 2011 | 78,023 | 55,351 |
| Inventories | 49,579 | 34,778 |
| Deferred income taxes | 16,652 | 11,563 |
| Prepaid expenses and other current assets | 41,437 | 43,867 |
| Total current assets | 467,682 | 453,049 |
| Long-term investments | 11,369 | 17,477 |
| Property and equipment, net | 135,271 | 25,141 |
| Goodwill | 130,265 | 115,489 |
| Other intangible assets, net | 90,750 | 60,005 |
| Other assets, net | 36,629 | 34,830 |
| Total assets | \$ 871,966 | \$ 705,991 |
| Liabilities and Stockholders' Equity | | |
| Current liabilities: | | |
| Accounts payable | \$ 29,622 | \$ 26,354 |
| Current portion of long-term debt | 5,000 | -- |
| Accrued expenses | 40,410 | 30,857 |
| Deferred income on shipments to distributors | 30,259 | 24,962 |
| Income taxes | 1,087 | 665 |
| Total current liabilities | 106,378 | 82,838 |
| Long-term debt | 95,000 | -- |
| Other non-current liabilities | 20,615 | 24,214 |
| Total liabilities | 221,993 | 107,052 |
| Commitments and contingencies | | |
| Stockholders' equity: | | |
| Preferred stock--\$0.0001 par value; 10,000 shares | | |

| | | |
|--|------------|------------|
| authorized; no | -- | -- |
| shares issued and outstanding | | |
| Common stock--\$0.0001 par value; 250,000 shares authorized; | | |
| 41,879 and 42,068 shares issued and outstanding at | 4 | 4 |
| December 29, 2012 and December 31, 2011, respectively | | |
| Additional paid-in capital | 10,122 | 14,749 |
| Retained earnings | 640,793 | 586,653 |
| Accumulated other comprehensive loss | (946) | (2,467) |
| Total stockholders' equity | 649,973 | 598,939 |
| Total liabilities and stockholders' equity | \$ 871,966 | \$ 705,991 |

Silicon Laboratories Inc.
Condensed Consolidated Statements of Cash Flows
(In thousands)
(Unaudited)

| | Year Ended | |
|---|--------------------------|--------------------------|
| | December 29, 2012 | December 31, 2011 |
| Operating Activities | | |
| Net income | \$ 63,548 | \$ 35,472 |
| Adjustments to reconcile net income to cash provided by operating activities: | | |
| Depreciation of property and equipment | 13,621 | 13,570 |
| Net gain on the purchase of property and equipment | (8,457) | -- |
| Amortization of other intangible assets and other assets | 14,154 | 11,030 |
| Impairment of long-lived assets | 708 | 1,322 |
| Stock-based compensation expense | 31,176 | 36,115 |
| Income tax benefit from employee stock-based awards | 1,827 | 2,814 |
| Excess income tax benefit from employee stock-based awards | (1,294) | (2,404) |
| Deferred income taxes | 4,725 | (445) |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (20,743) | (8,562) |
| Inventories | (13,056) | 5,334 |
| Prepaid expenses and other assets | 10,629 | (5,948) |
| Accounts payable | 7,217 | (2,176) |
| Accrued expenses | (3,812) | (1,320) |
| Deferred income on shipments to distributors | 4,623 | (1,915) |
| Income taxes | (7,816) | 5,855 |
| Net cash provided by operating activities | 97,050 | 88,742 |
| Investing Activities | | |
| Purchases of available-for-sale investments | (192,450) | (178,676) |
| Proceeds from sales and maturities of marketable securities | 235,517 | 193,474 |
| Purchases of property and equipment | (102,043) | (8,690) |
| Purchases of other assets | (8,508) | (4,018) |
| Acquisitions of businesses, net of cash acquired | (71,852) | (27,262) |
| Net cash used in investing activities | (139,336) | (25,172) |
| Financing Activities | | |
| Proceeds from issuance of common stock, net of shares withheld for taxes | 15,148 | 7,660 |
| Excess income tax benefit from employee stock-based awards | 1,294 | 2,404 |
| Repurchases of common stock | (62,019) | (110,063) |

| | | |
|---|------------|-----------|
| Proceeds from issuance of long-term debt, net | 98,325 | -- |
| Payments on debt | -- | (7,174) |
| Net cash provided by (used in) financing activities | 52,748 | (107,173) |
| Increase (decrease) in cash and cash equivalents | 10,462 | (43,603) |
| Cash and cash equivalents at beginning of period | 94,964 | 138,567 |
| Cash and cash equivalents at end of period | \$ 105,426 | \$ 94,964 |

Contact:

Silicon Labs
Shannon Pleasant, 512-464 9254
shannon.pleasant@silabs.com

<https://news.silabs.com/2013-01-30-Silicon-Labs-Reports-Record-Revenue>