Silicon Labs Announces Second Quarter 2013 Results

Record Revenue in Timing and Broadcast Video Product Lines

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AUSTIN, Texas--(<u>BUSINESS WIRE</u>)--<u>Silicon Labs</u> (NASDAQ: SLAB), a leader in high-performance, analog-intensive, mixed-signal integrated circuits (ICs), today reported results for its second quarter ended June 29, 2013. Overall revenue in the second quarter was \$141.5 million, an increase of 4.3 percent compared with the same period a year ago and down 2.6 percent sequentially.

Financial Highlights

On a GAAP basis, gross margins were 62.7 percent, a sequential improvement resulting from a shift in the product mix favoring timing devices. GAAP R&D investment was stable on a sequential basis and increased year over year to \$37.4 million. GAAP SG&A expenses increased both sequentially and year over year to \$32.4 million. Resulting GAAP operating income as a percentage of revenue decreased sequentially and increased year over year to 13.4 percent. GAAP diluted earnings per share were \$0.29, down 37 percent sequentially due primarily to acquisition-related items and income taxes and also down 38 percent year over year.

The non-GAAP results exclude the impact of stock compensation and certain other items as set forth in the reconciliation table below. Non-GAAP gross margins increased sequentially to 62.9 percent. On a non-GAAP basis, R&D increased slightly to \$33.6 million, and SG&A decreased to \$27.3 million. Non-GAAP operating income in the quarter was 19.9 percent. Non-GAAP diluted earnings per share in the quarter were \$0.50, down slightly compared with the second quarter of 2012.

Business Highlights

On July 1, the company closed its acquisition of Energy Micro, a leader in energy-friendly ARM® Cortex™-M based microcontrollers (MCUs) and radios. Adding to Silicon Labs' already strong MCU, radio and software solutions, this strategic acquisition accelerates growth opportunities and positions the company as the foremost innovator in embedded solutions for the growing Internet of Things and green energy markets.

In the Broad-based business, revenue and gross margin results were particularly strong from timing devices. The recently introduced Si50x CMEMS® oscillator product family, featuring the industry's first single-die MEMS oscillator solution and designed to replace crystal oscillators in high-volume applications, is expected to begin generating significant revenue in 2014.

Although revenue from Broadcast products overall was slightly down sequentially, the company achieved record revenue in video products during the second quarter, marking the fourth consecutive guarter of video revenue growth.

"During the quarter, we achieved two important milestones—the strategic acquisition of Energy Micro and the groundbreaking introduction of our new CMEMS technology platform and oscillator product line," said Tyson Tuttle, CEO of Silicon Labs. "We believe these accomplishments will help drive Silicon Labs' growth in our Broad-based products, which represent our fastest growing and largest market opportunity."

The company expects revenue for the third quarter to be in the range of \$144 to \$149 million.

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 39717385. The replay will be available through Aug. 25.

About Silicon Labs

Silicon Labs is an industry leader in the innovation of high-performance, analog-intensive, mixed-signal ICs. Developed by a world-class engineering team with unsurpassed expertise in mixed-signal design, Silicon Labs' diverse portfolio of patented

semiconductor solutions offers customers significant advantages in performance, size and power consumption. 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 Labs 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; guarterly fluctuations in revenues and operating results; difficulties developing new products that achieve market acceptance; dependence on a limited number of products and customers; intellectual property litigation risks; risks associated with acquisitions and divestitures; product liability risks; difficulties managing our distributors, manufacturers and subcontractors; inventory-related risks; difficulties managing international activities; 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; stock price volatility; 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; debt-related risks; capital-raising risks; the competitive and cyclical nature of the semiconductor industry; average selling prices of products may decrease significantly and rapidly; information technology risks; conflict mineral risks and other factors that are detailed in the SEC filings of Silicon Laboratories Inc. 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. References in this press release to Silicon Labs shall mean Silicon Laboratories Inc.

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

	Three Mor June 29, 2013	oths Ended June 30, 2012	Six Months Ended June 29, June 30 2013 2012			
Revenues	\$141,543	\$135,670	\$286,918	\$261,372		
Cost of revenues	52,770	52,868	110,773	103,474		
Gross margin	88,773	82,802	176,145	157,898		
Operating expenses:						
Research and development	37,387	34,245	74,969	67,175		
Selling, general and administrative	32,357	32,178	61,510	57,580		
Operating expenses	69,744	66,423	136,479	124,755		
Operating income	19,029	16,379	39,666	33,143		
Other income (expense):						
Interest income	152	363	487	860		
Interest expense	(831)	(32)	(1,673)	(65)		
Other income (expense), net	114	1,079	62	968		
Income before income taxes	18,464	17,789	38,542	34,906		
Provision (benefit) for income taxes	5,852	(2,720)	5,896	77		
Net income	\$12,612	\$20,509	\$32,646	\$34,829		
Earnings per share:						
Basic	\$0.30	\$0.48	\$0.77	\$0.82		
Diluted	\$0.29	\$0.47	\$0.76	\$0.80		

Basic	42,552	42,655	42,370	42,556
Diluted	43,269	43,423	43,191	43,637

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

Non-GAAP
Income
Statement
Items

Three Months Ended

June 29, 2013

	GAAP Measure	GAAP Percent of Revenue		Stock Compensation Expense		rmination osts	quisition ated Items	Non- GAAP Measure	Non- GAA Perce of Rever	P ent
Revenues	\$141,543									
Gross margin	88,773	62.7	%	\$	263	\$ 	\$ 	\$89,036	62.9	%
Research and development	37,387	26.4	%		3,483	315		33,589	23.7	%
Selling, general and administrative	32,357	22.9	%		3,678	480	920	27,279	19.3	%
Operating income	19,029	13.4	%		7,424	795	920	28,168	19.9	%

Non-GAAP Diluted Earnings Per Share	Three Mor June 29, 2 GAAP Measure	nths Ended 2013 Stock Compensation Expense		Termination Costs		n Acquisition Related Items			lon- ≩AAP ∕leasure	
Net income	\$12,612	;	\$	7,254	\$	715	\$	920	\$	21,501
Diluted shares outstanding	43,269									43,269
Diluted earnings per share	\$0.29								\$	0.50

Silicon Laboratories Inc.
Condensed Consolidated Balance Sheets

(In thousands, except per share data)

(Unaudited)

	June 29, 2013	December 29, 2012	
Assets			
Current assets: Cash and cash equivalents Short-term investments	\$193,468 151,423	\$ 105,426 176,565	
Accounts receivable, net of allowances for doubtful accounts of \$720 at June 29, 2013 and \$670 at December 29, 2012	68,635	78,023	
Inventories Deferred income taxes Prepaid expenses and other current assets Total current assets Long-term investments Property and equipment, net Goodwill Other intangible assets, net Other assets, net Total assets	50,659 16,387 46,356 526,928 10,197 135,006 130,265 85,115 25,510 \$913,021	467,682 11,369 135,271 130,265 90,750 36,629	
Liabilities and Stockholders' Equity Current liabilities: Accounts payable Current portion of long-term debt Accrued expenses Deferred income on shipments to distributors Income taxes Total current liabilities Long-term debt Other non-current liabilities Total liabilities Commitments and contingencies Stockholders' equity: Preferred stock\$0.0001 par value; 10,000 shares authorized;	\$25,952 5,000 36,012 30,552 926 98,442 91,250 17,978 207,670	30,259 1,087 106,378 95,000 20,615	
no shares issued and outstanding			
Common stock\$0.0001 par value; 250,000 shares authorized; 42,668 and 41,879 shares issued and outstanding at	4	4	
June 29, 2013 and December 29, 2012, respectively			
Additional paid-in capital Retained earnings Accumulated other comprehensive loss Total stockholders' equity Total liabilities and stockholders' equity	32,837 673,439 (929 705,351 \$913,021	649,973)

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

	Six Month June 29, 2013	s Ended June 30, 2012
Operating Activities		
Net income	\$32,646	\$34,829
Adjustments to reconcile net income to cash provided by		
operating activities:	6,634	6,749
Depreciation of property and equipment Amortization of other intangible assets and other assets	5,635	4,559
Stock-based compensation expense	13,684	
Income tax benefit (detriment) from employee stock-based		•
awards	(489) 2,627
Excess income tax benefit from employee stock-based awards	(243) (2,450)
Deferred income taxes	9,277	1,625
Changes in operating assets and liabilities:		
Accounts receivable	9,388	(17,315)
Inventories	(1,028) (1,299)
Prepaid expenses and other assets	5,023	4,806
Accounts payable) 8,766
Accrued expenses	•) (5,203)
Deferred income on shipments to distributors	293	1,372
Income taxes	•) (13,672)
Net cash provided by operating activities	66,097	41,259
Investing Activities		
Purchases of available-for-sale investments	(121,994	(105,169)
Proceeds from sales and maturities of available-for-sale	146,870	
investments	140,070	100,514
Purchases of property and equipment	(6,498	
Purchases of other assets	(2,438	, ,
Net cash provided by investing activities	15,940	68,331
Financing Activities		
Proceeds from issuance of common stock, net of shares withheld	0.540	0.000
for taxes	9,512	2,922
Excess income tax benefit from employee stock-based awards	243	2,450
Repurchases of common stock		(36,173)
Payments on debt	(3,750)
Net cash provided by (used) in financing activities	6,005	(30,801)
Increase in cash and cash equivalents	88,042	78,789
Cash and cash equivalents at beginning of period	105,426	94,964
Cash and cash equivalents at end of period	\$193,468	\$173,753

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