Silicon Labs Announces Record Revenue

Growth Products Deliver across the Board

We had a great quarter filled with a lot of good news and achievements, including our entry into the Bluetooth Smart market and the completion of our acquisition of Bluegiga.

AUSTIN, Texas--(<u>BUSINESS WIRE</u>)--<u>Silicon Labs</u> (NASDAQ: SLAB), a leading provider of microcontroller, wireless connectivity, analog and sensor solutions for the <u>Internet of Things (IoT)</u>, today reported financial results for its first quarter ended April 4, 2015. Revenue in the first quarter exceeded the top end of guidance and established a new record at \$163.7 million, up from \$162.0 million in the fourth quarter.

Financial Highlights

On a GAAP basis:

- Gross margin was 58.9 percent
- R&D expenses were \$46.9 million
- SG&A expenses were \$42.3 million
- Operating income as a percentage of revenue was 4.4 percent
- Diluted earnings per share were \$0.15

On a non-GAAP basis (results exclude the impact of stock compensation, amortization from acquired intangible assets and certain other items as set forth in the reconciliation tables below):

- · Gross margin was 60.0 percent
- R&D expenses were \$37.7 million
- SG&A expenses were \$32.9 million
- Operating income as a percentage of revenue was 16.8 percent
- Diluted earnings per share were \$0.54

Business Highlights

- Broad-based revenue is now broken out into IoT and Infrastructure product categories
- IoT revenue, previously called MCU, wireless, sensors and analog, established an all-time high revenue quarter at \$60.9 million
- Infrastructure, including timing and isolation products, established record revenue at \$30.1 million
- Broadcast revenue was \$46.1 million, with a record in automotive and consumer seasonally down
- Access revenue was consistent with expectations at \$26.5 million

Product Highlights

- Acquired Bluegiga, a leading provider of Bluetooth® and Wi-Fi® modules, software stacks and development tools for a wide range of applications for the IoT.
- Announced Blue Gecko Bluetooth Smart solutions including wireless system-on-chip (SoC) devices, embedded modules, and Bluegiga's software development kit and Bluetooth Smart software stack to address the largest, fastest-growing lowpower wireless connectivity opportunity in the IoT market.
- Introduced the EZR32 family of sub-GHz wireless MCUs, delivering a combination of energy efficiency and RF performance for applications ranging from smart metering to the connected home.
- Launched the new EFM8 Bee MCU family, which includes three lines of highly integrated, peripheral-rich 8-bit MCUs optimized for exceptional price/performance, ultra-low-power touch control and USB connectivity.
- Introduced the CP2614 bridge chip and evaluation kit to simplify the development of accessories for iOS devices by providing a turnkey digital audio bridge solution for Made for iPod/iPhone/iPad (MFi) products.
- Announced the next generation of the Simplicity Studio[™] development environment, enabling concurrent MCU and RF design for IoT applications.
- Introduced the industry's first complete Wireless M-Bus platform solution designed to simplify the development of wirelessly connected smart meters for electricity, gas, water and heat resources in the European market.
- Announced a collaboration with ARM® to deliver the first power management application programming interfaces (APIs) for ARM mbedTM platforms, bringing greater energy efficiency to power-sensitive, battery-operated connected devices.
- Launched the Si88xx digital isolator family, providing industrial system developers with a complete plug-and-play solution that simplifies power supply applications while ensuring long-term performance and reliability.

- Introduced the new Si479xx/Si46xx automotive radio system portfolio to provide a complete platform for the global automotive infotainment market, ranging from entry-level car radios to multi-tuner, multi-antenna designs.
- Launched the Si2144/24 tuner family, offering set-top box (STB) makers an optimal balance of RF performance, energy efficiency, tiny package size and BOM-saving integration.
- Received a favorable ruling on the ITC lawsuit initiated by Cresta Technology.

Business Outlook

The company expects revenue in the second quarter to be in the range of \$164 million to \$169 million and anticipates another record in its IoT products. Second quarter diluted earnings per share are expected to be between \$0.11 and \$0.17 on a GAAP basis and between \$0.50 and \$0.56 on a non-GAAP basis.

"We are very pleased by our strong start in what is typically a seasonally down quarter and by the progress we have made over the past year, with double-digit growth in our investment businesses," said Tyson Tuttle, CEO of Silicon Labs. "We had a great quarter filled with a lot of good news and achievements, including our entry into the Bluetooth Smart market and the completion of our acquisition of Bluegiga."

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 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 (404) 537-3406 (international) and entering conference ID 39717392. The replay will be available through May 15, 2015.

About Silicon Labs

Silicon Labs (NASDAQ: SLAB) is a leading provider of silicon, software and system solutions for the Internet of Things, Infrastructure, industrial automation, consumer and automotive markets. We solve the electronics industry's toughest problems, providing customers with significant advantages in performance, energy savings, connectivity and design simplicity. Backed by our world-class engineering teams with strong software and mixed-signal design expertise, Silicon Labs empowers developers with the tools and technologies they need to advance quickly and easily from initial idea to final product. 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; risks related to the successful completion of the development and implementation of Bluegiga's technology; risks associated with the development of modules and the Company's limited operating history with modules; risks that the acquisition may not yield the expected benefits due to the failure to properly integrate the acquired business and employees; risks that our competitors that supply products incorporated in Bluegiga's modules may disrupt such supply; risks that the acquired business' products and processes under development may fail to achieve market acceptance; risks of disputes regarding the acquired business and intellectual property; 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 Months Ended		
	April 4, 2015	March 29, 2014	
Revenues	\$ 163,705	\$ 145,691	
Cost of revenues	67,336	58,586	
Gross margin	96,369	87,105	
Operating expenses:			
Research and development	46,857	42,485	
Selling, general and administrative	42,300	34,611	
Operating expenses	89,157	77,096	
Operating income	7,212	10,009	
Other income (expense):			
Interest income	192	302	
Interest expense	(745)	(798)	
Other income (expense), net	408	67	
Income before income taxes	7,067	9,580	
Provision for income taxes	689	1,470	
Net income	\$ 6,378	\$8,110	
Earnings per share:			
Basic	\$ 0.15	\$ 0.19	
Diluted	\$ 0.15	\$ 0.18	
Weighted-average common shares outstanding:			
Basic	42,412	43,081	
Diluted	43,149	44,056	

Unaudited Reconciliation of GAAP to Non-GAAP Financial Measures

(In thousands, except per share data)

Non-GAAP Income Statement Items

Three Months Ended

April 4, 2015

	GAAP Measure	GAAP Percent o Revenue	f	Stock Compensation Expense	on A	ntangible isset imortization	Acquisition Related Items	Termination Costs	Non- GAAP Measure	Non- GAAP Percent of Revenue
Revenues	\$163,705									
Gross margin	96,369	58.9	%	\$ 230	\$	390	\$ 1,133	\$ 24	\$98,146	60.0 %
Research and development	46,857	28.6	%	4,795		3,870		458	37,734	23.1 %

Selling, general and administrative	42,300	25.9 %	5,494	1,056	2,836		32,914	20.1 %
Operating income	7,212	4.4 %	10,519	5,316	3,969	482	27,498	16.8 %
Non-GAAP Earnings Per Share	Three Mo	nths Ended 5						
	GAAP Measure	Stock Compensation Expense*	Intangible Asset Amortization*	Acquisition Related Items*	Termination Costs*	Tax Impact of Adjustments	Non- GAAP Measure	
Net income	\$6,378	\$ 10,519	\$ 5,316	\$ 3,969	\$ 482	\$ (3,285)	\$23,379	
Diluted shares								
outstanding	43,149						43,149	

^{*} Represents pre-tax amounts

Unaudited Forward-Looking Statements Regarding Business Outlook

Business Outlook	Three Months Ending July 4, 2015	
Estimated GAAP diluted earnings per share	High \$0.17	Low \$0.11
Estimated non-GAAP charges	0.39	0.39
Estimated non-GAAP diluted earnings per share	\$0.56	\$0.50

Silicon Laboratories Inc.

Condensed Consolidated Balance Sheets

(In thousands, except per share data)

(Unaudited)

	April 4, 2015	January 3, 2015
Assets Current assets:		
Cash and cash equivalents	\$112,710	\$141,706

Short-term investments	148,795	193,489
Accounts receivable, net of allowances for doubtful accounts of \$785 at $$		70.007
April 4, 2015 and \$786 at January 3, 2015	66,563	70,367
Inventories Deferred income taxes Prepaid expenses and other current assets Total current assets Long-term investments	61,078 17,364 51,301 457,811 7,401	52,631 21,173 49,171 528,537 7,419
Property and equipment, net Goodwill Other intangible assets, net Other assets, net Total assets	131,313 264,687 135,049 24,965 \$1,021,226	132,820 228,781 115,021 29,983 \$1,042,561
Liabilities and Stockholders' Equity Current liabilities:	. , ,	, ,
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; no shares issued and outstanding	\$39,295 10,000 45,391 38,796 1,340 134,822 77,150 45,817 257,789	\$38,922 10,000 73,646 38,662 2,084 163,314 77,500 43,691 284,505
Common stock – \$0.0001 par value; 250,000 shares authorized;		
42,689 and 42,225 shares issued and outstanding at April 4, 2015 and	4	4
January 3, 2015, respectively		
Additional paid-in capital Retained earnings Accumulated other comprehensive loss Total stockholders' equity Total liabilities and stockholders' equity	28,833 735,011 (411) 763,437 \$1,021,226	29,501 728,633 (82) 758,056 \$1,042,561

Silicon Laboratories Inc.

Condensed Consolidated Statements of Cash Flows

(In thousands)

(Unaudited)

Three Months Ended
April 4, March 29,
2015 2014

Net income Adjustments to reconcile net income to cash provided by	\$6,378	\$8,110
operating activities: Depreciation of property and equipment Amortization of other intangible assets and other assets Stock-based compensation expense Income tax benefit (shortfall) from stock-based awards Excess income tax benefit from stock-based awards Deferred income taxes	2,987 6,521 10,519 1,773 (1,785 6,844	3,290 4,491 9,277 45 (235) 6,784
Changes in operating assets and liabilities: Accounts receivable Inventories Prepaid expenses and other assets Accounts payable Accrued expenses	6,564 (6,424) 8,584 447 (5,046)	14,266 1,195 21,367
Deferred income on shipments to distributors Income taxes Other non-current liabilities Net cash provided by operating activities	(8,409)	1,736 (8,324) (23,585) 46,952
Investing Activities Purchases of available-for-sale investments Proceeds from sales and maturities of available-for-sale investments Purchases of property and equipment Purchases of other assets	(13,037) 57,739 (1,991) (935)	28,242 (1,673)
Acquisition of business, net of cash acquired Net cash used in investing activities	(76,899) (35,123)	
Financing Activities Proceeds from issuance of common stock, net of cash paid for withheld taxes Excess income tax benefit from stock-based awards Repurchases of common stock Payment of acquisition-related contingent consideration Payments on debt Net cash provided by (used in) financing activities	(2,561) 1,785 (10,138) (4,464) (2,583) (17,961)	235 (1,250)
Increase (decrease) in cash and cash equivalents Cash and cash equivalents at beginning of period Cash and cash equivalents at end of period	(28,996) 141,706 \$112,710	32,523 95,800 \$128,323

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