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 Blueqiqa.

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 low-power 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 mbed™ 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; quarterly 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	s End					
						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 expense												
Research and deve		_				46,857		42,485				
Selling, general ar		ative				42,300		34,611				
Operating expense						89,157		77,096				
Operating income Other income (exp						7,212		10,009				
Interest income	Jensej.					192		302				
Interest expense						(745)	(798)				
Other income (exp	ense), net					408	,	67				
Income before inc						7,067		9,580				
Provision for inco	me taxes					689		1,470				
Net income						\$ 6,378		\$ 8,110				
p												
Earnings per share Basic	2:					\$ 0.15		\$ 0.19				
Diluted						\$ 0.15		\$ 0.19				
Diluted						φ 0.15		\$ 0. 10				
Weighted-average	common sh	ares outstan	iding:									
Basic						42,412		43,081				
Diluted						43,149		44,056				
Unaudited Reconcil	iation of GA	AP to Non-G	AAP 1	Fina	ncial Measure	es						
(In thousands, exce	pt per share	data)										
N. CAAD			_									
Non-GAAP Income Statement Items	April 4, 20	onths Ended 15	1									
		GAAP		St	ock					Non-	Non- GAA	
	GAAP	Percent of		Co	mpensation	Intangible	e Ass	et Acquisition	Termination	GAAP		
	Measure	Revenue		Ex	pense	Amortiza	tion	Related Ite	ns Costs	Measure	Perce	
Revenues	\$163,705										Reve	nue
Gross margin	96,369	58.9	%	\$	230	\$ 390		\$ 1,133	\$ 24	\$ 98,146	60.0	%
_	50,505	50.5	70	Ψ	250	ψ 330		Ψ 1,155	Ψ 24	ψ 50,140	00.0	70
Research and	46,857	28.6	%		4,795	3,870			458	37,734	23.1	%
development	10,057	20.0	70		1,700	3,070			130		20.1	, 0
Selling, general												
and	42,300	25.9	%		5,494	1,056		2,836		32,914	20.1	%
administrative	42,300	25.5	/0		J, 4 J4	1,056		2,030		52,517	20.1	70
Operating	7,212	4.4	%		10,519	5,316		3,969	482	27,498	16.8	%
income	,		-		•	-,-		,		, - 3		-
Non-GAAP	Three Mo	onths Ended	i									
11011 G/1/11	1111 (1710	LiiuC(-									

Earnings Per	April 4, 20	15					
Share							
	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
Diluted earnings per share	\$0.15						\$0.54
* Represents pre-tax	amounts						
Unaudited Forward	d-Looking St	atements Regardin	g Business Outlook				
Business Outlook	ζ.			Three Months E. July 4, 2015	_		
Estimated GAAP	diluted earn	ings per share		O	Low \$0.11		

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

${\bf Silicon\ Laboratories\ Inc.}$

${\bf Condensed} \ {\bf Consolidated} \ {\bf Balance} \ {\bf Sheets}$

(In thousands, except per share data)

(Unaudited)

Assets Current assets:	April 4, 2015	January 3, 2015
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 April 4, 2015 and \$786 at January 3, 2015	66,563	70,367
Inventories	61,078	52,631
Deferred income taxes	17,364	21,173
Prepaid expenses and other current assets	51,301	49,171
Total current assets	457,811	528,537

Long-term investments	7,401	7,419
Property and equipment, net	131,313	132,820
Goodwill	264,687	228,781
Other intangible assets, net	135,049	115,021
Other assets, net	24,965	29,983
Total assets	\$1,021,226	\$ 1,042,561
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$39,295	\$ 38,922
Current portion of long-term debt	10,000	10,000
Accrued expenses	45,391	73,646
Deferred income on shipments to distributors	38,796	38,662
Income taxes	1,340	2,084
Total current liabilities	134,822	163,314
Long-term debt	77,150	77,500
Other non-current liabilities	45,817	43,691
Total liabilities	257,789	284,505
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; 42,689 and		
42,225 shares issued and outstanding at April 4, 2015 and January 3, 2015,	4	4
respectively		
Additional paid-in capital	28,833	29,501
Retained earnings	735,011	728,633
Accumulated other comprehensive loss	(411)	(82
Total stockholders' equity	763,437	758,056
Total liabilities and stockholders' equity	\$1,021,226	\$ 1,042,561

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Silicon Laboratories Inc.

Condensed Consolidated Statements of Cash Flows

(In thousands)

(Unaudited)

	Three Months Ended			
	April 4, 2015		March 2	29,
Operating Activities				
Net income	\$ 6,378		\$8,110	
Adjustments to reconcile net income to cash provided by operating activities:				
Depreciation of property and equipment	2,987		3,290	
Amortization of other intangible assets and other assets	6,521		4,491	
Stock-based compensation expense	10,519		9,277	
Income tax benefit (shortfall) from stock-based awards	1,773		45	
Excess income tax benefit from stock-based awards	(1,785)	(235)
Deferred income taxes	6,844		6,784	
Changes in operating assets and liabilities:				

Inventories (6,424) 1,083 Prepaid expenses and other assets 8,584 14,266 Accounts payable 447 1,195 Accrued expenses (5,046) 21,367 Deferred income on shipments to distributors (1,049) 1,736 Income taxes (8,409) (8,324) Other non-current liabilities (3,816) (23,585)
Accounts payable 447 1,195 Accrued expenses (5,046) 21,367 Deferred income on shipments to distributors (1,049) 1,736 Income taxes (8,409) (8,324)
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Deferred income on shipments to distributors (1,049) 1,736 Income taxes (8,409) (8,324)
Income taxes (8,409) (8,324)
Other per gurrent liabilities (2.016) (22.505)
Other non-current liabilities (3,816) (23,585)
Net cash provided by operating activities 24,088 46,952
Investing Activities
Purchases of available-for-sale investments (13,037) (43,366)
Proceeds from sales and maturities of available-for-sale investments 57,739 28,242
Purchases of property and equipment (1,991) (1,673)
Purchases of other assets (935) (2,113)
Acquisition of business, net of cash acquired (76,899)
Net cash used in investing activities (35,123) (18,910)
Financing Activities
Proceeds from issuance of common stock, net of cash paid for withheld (2,561) 5,496
taxes
Excess income tax benefit from stock-based awards 1,785 235
Repurchases of common stock (10,138)
Payment of acquisition-related contingent consideration (4,464)
Payments on debt (2,583) (1,250)
Net cash provided by (used in) financing activities (17,961) 4,481
Increase (decrease) in cash and cash equivalents (28,996) 32,523
Cash and cash equivalents at beginning of period 141,706 95,800
Cash and cash equivalents at end of period \$ 112,710 \$128,323

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