

Silicon Labs Announces Third Quarter 2017 Results

-- Achieves All-Time Record Revenue --

AUSTIN, Texas, Oct. 25, 2017 /[PRNewswire](#)/ -- [Silicon Labs](#) (NASDAQ: SLAB), a leading provider of silicon, software and solutions for a smarter, more connected world, today reported financial results for its third quarter ended September 30, 2017. Revenue in the third quarter ended at the high end of guidance at \$199 million, up from \$190 million in the second quarter, and establishing a new all-time record. Third quarter GAAP and non-GAAP diluted earnings per share (EPS) were \$0.46 and \$0.90, respectively.

"We are very pleased with our third quarter results, achieving record revenue in IoT and Infrastructure, and in total," said Tyson Tuttle, CEO of Silicon Labs. "Our portfolio is well positioned in high-quality growth markets, including IoT, infrastructure, green energy, and data communications, where we generate more than 70 percent of our total revenue, offering a long runway for growth and share gains."

Third Quarter Financial Highlights

- IoT revenue established a record, increasing to \$100 million, up 2% sequentially and 23% year-on-year.
- Infrastructure revenue increased to \$39 million, up 2% sequentially and 1% year-on-year.
- Broadcast revenue increased to \$43 million, up 17% sequentially and 6% year-on-year.
- Access revenue declined to \$17 million, down 3% sequentially and year-on-year.

On a GAAP basis:

- GAAP gross margin was 58.7%.
- GAAP R&D expenses were \$52 million.
- GAAP SG&A expenses were \$40 million.
- GAAP operating income as a percentage of revenue was 12.6%.
- GAAP diluted earnings per share were \$0.46.

On a non-GAAP basis, excluding the impact of stock compensation, amortization of acquired intangible assets, non-cash interest expense on convertible notes, and certain other items as set forth in the reconciliation tables below:

- Non-GAAP gross margin was 58.8%.
- Non-GAAP R&D expenses were \$41 million.
- Non-GAAP SG&A expenses were \$32 million.
- Non-GAAP operating income as a percentage of revenue was 21.8%.
- Non-GAAP diluted earnings per share were \$0.90.

Product Highlights

- Launched the Si72xx magnetic sensor portfolio, featuring the industry's most flexible, configurable and feature-rich Hall-effect magnetic sensors.
- Introduced a comprehensive USB Type-C™ reference design, simplifying the development of rechargeable battery packs used to power portable devices.
- Launched the Si5381/82/86 wireless clock family, leveraging Silicon Labs' DSPLL technology to deliver an advanced timing solution that combines 4G/LTE and Ethernet clocking in a single IC.
- Introduced the high-performance Si5332 clock family, offering the industry's most integrated timing solution for 10/25/100G networking and storage applications.
- Launched the Si522xx PCIe clock family, providing ultra-low jitter, high integration and very low power for applications using PCI Express® (PCIe®) Gen 1/2/3/4.
- Introduced a new portfolio of Global and Dual Eagle AM/FM receivers and digital radio tuners, and Digital Falcon coprocessors, enabling automakers and Tier 1 suppliers to address all automotive infotainment market segments.

Business Outlook

The company expects revenue in the fourth quarter to be in the range of \$195 million to \$201 million, and also estimates the following:

On a GAAP basis:

- GAAP gross margin at approximately 58.5%.
- GAAP operating expenses at approximately \$91.0 million.
- GAAP effective tax rate at 11.0%.

- GAAP diluted earnings per share between \$0.40 and \$0.46.

On a non-GAAP basis, and excluding the impact of stock compensation, amortization of acquired intangible assets, non-cash interest expense on convertible notes, and certain other items as set forth in the reconciliation tables below:

- Non-GAAP gross margin at 58.5%.
- Non-GAAP operating expenses at approximately \$73.5 million.
- Non-GAAP effective tax rate at 11.0%.
- Non-GAAP diluted earnings per share between \$0.83 and \$0.89.

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 (www.silabs.com) under [Investor Relations](#). 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 8462249. The replay will be available through November 25, 2017.

About Silicon Labs

Silicon Labs (NASDAQ: SLAB) is a leading provider of silicon, software and solutions for a smarter, more connected world. Our award-winning technologies are shaping the future of the Internet of Things, Internet infrastructure, industrial automation, consumer and automotive markets. Our world-class engineering team creates products focused on performance, energy savings, connectivity and simplicity. 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; 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; cyber-attacks against our products and our networks; 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.

Note to editors: Silicon Laboratories, Silicon Labs, the "S" symbol, and the Silicon Labs logo are trademarks of Silicon Laboratories Inc. All other product names noted herein may be trademarks of their respective holders.

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Silicon Laboratories Inc.

Condensed Consolidated Statements of Income

(In thousands, except per share data)

(Unaudited)

| Three Months Ended | | Nine Months Ended | |
|--------------------|------------|-------------------|------------|
| September 30, | October 1, | September 30, | October 1, |
| 2017 | 2016 | 2017 | 2016 |
| | | | |

| | | | | |
|---|-----------|-----------|-----------|-----------|
| Revenues | \$198,723 | \$178,083 | \$567,849 | \$515,016 |
| Cost of revenues | 82,149 | 69,880 | 232,922 | 202,988 |
| Gross margin | 116,574 | 108,203 | 334,927 | 312,028 |
| Operating expenses: | | | | |
| Research and development | 52,000 | 48,437 | 156,756 | 149,118 |
| Selling, general and administrative | 39,606 | 38,034 | 119,587 | 116,716 |
| Operating expenses | 91,606 | 86,471 | 276,343 | 265,834 |
| Operating income | 24,968 | 21,732 | 58,584 | 46,194 |
| Other income (expense): | | | | |
| Interest income and other, net | 1,923 | 273 | 4,094 | 449 |
| Interest expense | (4,764) | (643) | (9,265) | (1,939) |
| Income before income taxes | 22,127 | 21,362 | 53,413 | 44,704 |
| Provision for income taxes | 2,178 | 1,344 | 1,469 | 3,319 |
| Net income | \$ 19,949 | \$ 20,018 | \$ 51,944 | \$ 41,385 |
| Earnings per share: | | | | |
| Basic | \$ 0.47 | \$ 0.48 | \$ 1.23 | \$ 0.99 |
| Diluted | \$ 0.46 | \$ 0.47 | \$ 1.20 | \$ 0.98 |
| Weighted-average common shares outstanding: | | | | |
| Basic | 42,553 | 41,614 | 42,376 | 41,673 |
| Diluted | 43,374 | 42,307 | 43,194 | 42,263 |

Unaudited Reconciliation of GAAP to Non-GAAP Financial Measures

(In thousands, except per share data)

| Non-GAAP Income Statement Items | Three Months Ended September 30, 2017 | | | | | | |
|------------------------------------|--|-------------------------------|----------------------------------|-------------------------------------|---------------------------------|---------------------|-----------------------------------|
| | GAAP Measure | GAAP Percent of Revenue | Stock Compensation Expense | Intangible Asset Amortization | Acquisition Related Items | Non-GAAP Measure | Non-GAAP Percent of Revenue |
| Revenues | \$198,723 | | | | | | |
| Gross margin | 116,574 | 58.7% | \$ 281 | \$ -- | \$ -- | \$116,855 | 58.8% |
| Research and development | 52,000 | 26.2% | 5,411 | 5,187 | -- | 41,402 | 20.8% |

| | | | | | | | |
|-------------------------------------|--------|-------|--------|-------|-----|--------|-------|
| Selling, general and administrative | 39,606 | 19.9% | 5,663 | 1,647 | 161 | 32,135 | 16.2% |
| Operating income | 24,968 | 12.6% | 11,355 | 6,834 | 161 | 43,318 | 21.8% |

| Non-GAAP Earnings Per Share | Three Months Ended September 30, 2017 | | | | | | |
|-----------------------------|--|-----------------------------|--------------------------------|----------------------------|----------------------------|------------------------|------------------|
| | GAAP Measure | Stock Compensation Expense* | Intangible Asset Amortization* | Acquisition Related Items* | Non-cash Interest Expense* | Income Tax Adjustments | Non-GAAP Measure |
| Net income | \$19,949 | \$11,355 | \$6,834 | \$161 | \$2,674 | \$(1,796) | \$39,177 |
| Diluted shares outstanding | 43,374 | | | | | | 43,374 |
| Diluted earnings per share | \$ 0.46 | | | | | | \$ 0.90 |

* Represents pre-tax amounts

Unaudited Forward-Looking Statements Regarding Business Outlook

(In millions, except per share data)

| Business Outlook | Three Months Ending December 30, 2017 | | |
|-----------------------------------|--|----------------------|------------------|
| | GAAP Measure | Non-GAAP Adjustments | Non-GAAP Measure |
| Gross margin | 58.5% | 0.0% | 58.5% |
| Operating expenses | \$91.0 | \$17.5 | \$73.5 |
| Effective tax rate | 11.0% | 0.0% | 11.0% |
| Diluted earnings per share - low | \$0.40 | \$0.43 | \$0.83 |
| Diluted earnings per share - high | \$0.46 | \$0.43 | \$0.89 |

Silicon Laboratories Inc.

Condensed Consolidated Balance Sheets

(In thousands, except per share data)

(Unaudited)

| | September 30, 2017 | December 31, 2016 |
|---|-----------------------|----------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 236,459 | \$ 141,106 |
| Short-term investments | 482,396 | 153,961 |
| Accounts receivable, net | 76,188 | 74,401 |
| Inventories | 72,895 | 59,578 |
| Prepaid expenses and other current assets | 37,563 | 61,805 |
| Total current assets | 905,501 | 490,851 |
| Long-term investments | 5,471 | 5,196 |
| Property and equipment, net | 129,075 | 129,559 |
| Goodwill | 288,629 | 276,130 |
| Other intangible assets, net | 89,859 | 103,565 |
| Other assets, net | 59,251 | 76,543 |
| Total assets | \$1,477,786 | \$1,081,844 |
| Liabilities and Stockholders' Equity | | |
| Current liabilities: | | |
| Accounts payable | \$ 38,857 | \$ 39,577 |
| Accrued expenses | 60,376 | 50,100 |
| Deferred income on shipments to distributors | 56,701 | 45,568 |
| Income taxes | 4,057 | 4,450 |
| Total current liabilities | 159,991 | 139,695 |
| Long-term debt | -- | 72,500 |
| Convertible debt | 338,717 | -- |
| Other non-current liabilities | 36,246 | 42,691 |
| Total liabilities | 534,954 | 254,886 |
| Commitments and contingencies | | |
| Stockholders' equity: | | |
| Preferred stock – \$0.0001 par value; 10,000 shares authorized; no shares issued | -- | -- |
| Common stock – \$0.0001 par value; 250,000 shares authorized; 42,562 and 41,889 shares issued and outstanding at September 30, 2017 and December 31, 2016, respectively | 4 | 4 |
| Additional paid-in capital | 87,004 | 24,463 |

| | | |
|---|-------------|-------------|
| Retained earnings | 856,159 | 801,999 |
| Accumulated other comprehensive income (loss) | (335) | 492 |
| Total stockholders' equity | 942,832 | 826,958 |
| Total liabilities and stockholders' equity | \$1,477,786 | \$1,081,844 |

Silicon Laboratories Inc.

Condensed Consolidated Statements of Cash Flows

(In thousands)

(Unaudited)

Nine Months Ended

| | September 30, 2017 | October 1, 2016 |
|---|-------------------------------|----------------------------|
| Operating Activities | | |
| Net income | \$ 51,944 | \$ 41,385 |
| Adjustments to reconcile net income to cash provided by operating activities: | | |
| Depreciation of property and equipment | 11,068 | 9,912 |
| Amortization of other intangible assets and other assets | 20,531 | 21,461 |
| Amortization of debt discount and debt issuance costs | 6,984 | -- |
| Stock-based compensation expense | 33,007 | 30,057 |
| Income tax shortfall from stock-based awards | -- | (1,611) |
| Deferred income taxes | (5,703) | (1,460) |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (1,587) | (11,322) |
| Inventories | (13,196) | (1,558) |
| Prepaid expenses and other assets | 23,506 | 7,404 |
| Accounts payable | 1,746 | 1,280 |
| Accrued expenses | 9,720 | 8,930 |
| Deferred income on shipments to distributors | 11,039 | 11,573 |
| Income taxes | (424) | 1,459 |
| Other non-current liabilities | (7,269) | (10,891) |
| Net cash provided by operating activities | 141,366 | 106,619 |
| Investing Activities | | |
| Purchases of available-for-sale investments | (471,938) | (131,741) |
| Sales and maturities of available-for-sale investments | 143,765 | 129,511 |
| Purchases of property and equipment | (10,494) | (8,545) |

| | | |
|---|------------------|-----------------|
| Purchases of other assets | (2,622) | (4,994) |
| Acquisition of business, net of cash acquired | (13,658) | -- |
| Net cash used in investing activities | <u>(354,947)</u> | <u>(15,769)</u> |

Financing Activities

| | | |
|---|------------------|------------------|
| Proceeds from issuance of long-term debt, net | 389,468 | -- |
| Payments on debt | (72,500) | (5,000) |
| Repurchases of common stock | -- | (40,543) |
| Payment of taxes withheld for vested stock awards | (14,870) | (10,148) |
| Proceeds from the issuance of common stock | 6,836 | 8,451 |
| Payment of acquisition-related contingent consideration | -- | (9,500) |
| Net cash provided by (used in) financing activities | <u>308,934</u> | <u>(56,740)</u> |
| Increase in cash and cash equivalents | 95,353 | 34,110 |
| Cash and cash equivalents at beginning of period | 141,106 | 114,085 |
| Cash and cash equivalents at end of period | <u>\$236,459</u> | <u>\$148,195</u> |

SOURCE Silicon Labs

<https://news.silabs.com/2017-10-25-Silicon-Labs-Announces-Third-Quarter-2017-Results>