

Silicon Labs Announces Second Quarter 2019 Results

- IoT Powering Ahead on Wireless Strength -

AUSTIN, Texas, July 24, 2019 /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 second quarter ended June 29, 2019. Revenue was at the midpoint of guidance at \$206.7 million, up 10 percent from \$188.1 million in the first quarter. Second quarter GAAP loss per share was \$(0.37), which includes an approximate \$(0.64) per share impact from a \$28.1 million discrete tax charge to the GAAP tax provision related to a tax ruling on intercompany cost sharing arrangements. Second quarter non-GAAP diluted earnings per share were \$0.83.

"We grew second quarter revenue 10 percent sequentially despite macro headwinds impacting the semiconductor industry," said Tyson Tuttle, CEO of Silicon Labs. "We are gaining traction in our target markets, with total estimated design win lifetime revenue establishing a new record, up 25 percent year-on-year. Wireless products achieved more than one billion units shipped to date and established record revenue in the second quarter."

Second Quarter Financial Highlights

- IoT revenue increased to \$125 million, up 17% sequentially and 7% year-on-year.
- Infrastructure revenue declined to \$44 million, down 4% sequentially and 15% year-on-year.
- Broadcast revenue was flat sequentially at \$26 million, and down 23% year-on-year.
- Access revenue increased to \$12 million, up 24% sequentially and down 23% year-on-year.

On a GAAP basis:

- GAAP gross margin was 61.5%.
- GAAP R&D expenses were \$64 million.
- GAAP SG&A expenses were \$49 million.
- GAAP operating income as a percentage of revenue was 7.0%.
- GAAP diluted loss per share was \$(0.37).

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 61.6%.
- Non-GAAP R&D expenses were \$50 million.
- Non-GAAP SG&A expenses were \$38 million.
- Non-GAAP operating income as a percentage of revenue was 19.2%.
- Non-GAAP diluted earnings per share were \$0.83.

Product Results

- Announced a collaboration with Signify, the world leader in lighting, to help ecosystem partners develop smart light switches for Philips Hue systems based on Silicon Labs' Zigbee technology.
- Announced the adoption of Silicon Labs' microcontrollers in the latest smart lock products from Yunding, an innovative smart device and cloud-based service provider in China and a key member of the Xiaomi Mi Ecosystem.
- Announced a collaboration with Notion, a home monitoring solution provider, on a battery-powered smart home sensor built on Silicon Labs' Wireless Gecko platform.
- Launched Si539x jitter attenuating clocks with a fully integrated crystal, improving system reliability and performance while simplifying PCB layout in high-speed networking designs.
- Introduced high-performance Si5388 clocks combining Silicon Labs' DSPLL technology with standards-compliant software to provide a complete timing solution and simplifying the adoption of the IEEE 1588 standard.

Business Outlook

The company expects third quarter revenue to be in the range of \$213 to \$223 million, with sequential growth in IoT and Broadcast, Access flat, and a decline in Infrastructure, and estimates the following:

On a GAAP basis:

- GAAP gross margin at approximately 60.0%.
- GAAP operating expenses at approximately \$112 million.
- GAAP effective tax rate of 10.5%.
- GAAP diluted earnings per share between \$0.29 and \$0.39.

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 approximately 60.0%.
- Non-GAAP operating expenses at approximately \$89 million.
- Non-GAAP effective tax rate at 12.5%.
- Non-GAAP diluted earnings per share between \$0.79 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 (877) 344-7529 (US) or (412) 317-0088 (International) and entering access code 10133130. The replay will be available through August 24, 2019.

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. 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 Silicon Labs' distributors, manufacturers and subcontractors; inventory-related risks; difficulties managing international activities; risks associated with international activities (including trade barriers); risks that Silicon Labs may not be able to manage strains associated with its growth; credit risks associated with its 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 Silicon Labs' products and its 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.

CONTACT: Jalene Hoover, +1 (512) 428-1610, Jalene.Hoover@silabs.com

Silicon Laboratories Inc.

(In thousands, except per share data)

(Unaudited)

| | Three Months Ended | | Six Months Ended | |
|--------------------------------------|--------------------|------------------|------------------|------------------|
| | June 29, 2019 | June 30, 2018 | June 29, 2019 | June 30, 2018 |
| Revenues | \$206,709 | \$217,106 | \$394,822 | \$422,490 |
| Cost of revenues | 79,660 | 85,814 | 151,899 | 166,961 |
| Gross profit | 127,049 | 131,292 | 242,923 | 255,529 |
| Operating expenses: | | | | |
| Research and development | 63,856 | 59,495 | 125,422 | 114,323 |
| Selling, general and administrative | 48,637 | 53,796 | 97,853 | 99,490 |
| Operating expenses | 112,493 | 113,291 | 223,275 | 213,813 |
| Operating income | 14,556 | 18,001 | 19,648 | 41,716 |
| Other income (expense): | | | | |
| Interest income and other, net | 3,696 | 1,609 | 6,519 | 4,811 |
| Interest expense | (5,005) | (4,888) | (10,002) | (9,771) |
| Income before income taxes | 13,247 | 14,722 | 16,165 | 36,756 |
| Provision (benefit) for income taxes | 29,276 | 442 | 26,796 | (3,929) |
| Net income (loss) | \$ (16,029) | \$ 14,280 | \$ (10,631) | \$ 40,685 |
| Earnings (loss) per share: | | | | |
| Basic | \$ (0.37) | \$ 0.33 | \$ (0.25) | \$ 0.94 |
| Diluted | \$ (0.37) | \$ 0.32 | \$ (0.25) | \$ 0.92 |

Weighted-average common shares outstanding:

| | | | | |
|---------|--------|--------|--------|--------|
| Basic | 43,386 | 43,312 | 43,287 | 43,138 |
| Diluted | 43,386 | 44,294 | 43,287 | 44,106 |

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, 2019 | | | | | | |
| | GAAP Measure | GAAP Percent of Revenue | Stock Compensation Expense | Intangible Asset Amortization | Acquisition Related Items | Non-GAAP Measure | Non-GAAP Percent of Revenue |
| Revenues | \$206,709 | | | | | | |
| Gross profit | 127,049 | 61.5% | \$ 326 | \$ -- | \$ -- | \$127,375 | 61.6% |
| Research and development | 63,856 | 30.9% | 6,459 | 7,687 | -- | 49,710 | 24.0% |
| Selling, general and administrative | 48,637 | 23.6% | 6,884 | 2,469 | 1,248 | 38,036 | 18.4% |
| Operating income | 14,556 | 7.0% | 13,669 | 10,156 | 1,248 | 39,629 | 19.2% |
| Non-GAAP Earnings Per Share | Three Months Ended | | | | | | |
| | June 29, 2019 | | | | | | |
| | GAAP Measure | Stock Compensation Expense* | Intangible Asset Amortization* | Acquisition Related Items* | Non-cash Interest Expense* | Income Tax Adjustments | Non-GAAP Measure |
| Net income (loss) | \$(16,029) | \$13,669 | \$10,156 | \$1,248 | \$2,900 | \$24,476 | \$36,420 |

| | GAAP | Dilutive Securities Excluded From GAAP Measure Due to Net Loss | Non-GAAP |
|------------------|----------------|---|-----------------|
| | Measure | | Measure |
| Diluted shares | | | |
| outstanding | 43,386 | 624 | 44,010 |
| Diluted earnings | | | |
| (loss) per share | \$ (0.37) | | \$ 0.83 |

* Represents pre-tax amounts

Unaudited Forward-Looking Statements Regarding Business Outlook

(In millions, except per share data)

| Business Outlook | Three Months Ending | | |
|-----------------------------------|----------------------------|--------------------|-----------------|
| | September 28, 2019 | | |
| | GAAP | Non-GAAP | Non-GAAP |
| | Measure | Adjustments | Measure |
| Gross margin | 60.0% | 0.0% | 60.0% |
| Operating expenses | \$112.0 | \$23.0 | \$89.0 |
| Effective tax rate | 10.5% | 2.0% | 12.5% |
| Diluted earnings per share - low | \$0.29 | \$0.50 | \$0.79 |
| Diluted earnings per share - high | \$0.39 | \$0.50 | \$0.89 |

Silicon Laboratories Inc.

Condensed Consolidated Balance Sheets

(In thousands, except per share data)

(Unaudited)

| | June 29, 2019 | December 29, 2018 |
|---|------------------|----------------------|
| | _____ | _____ |
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 189,549 | \$ 197,043 |
| Short-term investments | 452,265 | 416,779 |
| Accounts receivable, net | 72,301 | 73,194 |
| Inventories | 73,865 | 74,972 |
| Prepaid expenses and other current assets | 59,662 | 64,650 |
| | _____ | _____ |
| Total current assets | 847,642 | 826,638 |
| Property and equipment, net | 137,644 | 139,049 |
| Goodwill | 397,344 | 397,344 |
| Other intangible assets, net | 150,356 | 170,832 |
| Other assets, net | 69,954 | 90,491 |
| | _____ | _____ |
| Total assets | \$1,602,940 | \$1,624,354 |
| | _____ | _____ |

Liabilities and Stockholders' Equity

Current liabilities:

| | | |
|--|-----------|-----------|
| Accounts payable | \$ 41,585 | \$ 41,171 |
| Deferred revenue and returns liability | 21,266 | 22,494 |
| Other current liabilities | 68,186 | 81,180 |
| | _____ | _____ |
| Total current liabilities | 131,037 | 144,845 |

| | | |
|--|-------------|-------------|
| Convertible debt | 361,430 | 354,771 |
| Other non-current liabilities | 59,202 | 57,448 |
| | <hr/> | <hr/> |
| Total liabilities | 551,669 | 557,064 |
| 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; | | |
| 43,344 and 43,088 shares issued and outstanding at | | |
| June 29, 2019 and December 29, 2018, respectively | 4 | 4 |
| Additional paid-in capital | 99,665 | 107,517 |
| Retained earnings | 950,712 | 961,343 |
| Accumulated other comprehensive income (loss) | 890 | (1,574) |
| | <hr/> | <hr/> |
| Total stockholders' equity | 1,051,271 | 1,067,290 |
| | <hr/> | <hr/> |
| Total liabilities and stockholders' equity | \$1,602,940 | \$1,624,354 |
| | <hr/> | <hr/> |

Silicon Laboratories Inc.

Condensed Consolidated Statements of Cash Flows

(In thousands)

(Unaudited)

Six Months Ended

| | |
|--------------------------|--------------------------|
| <hr/> | <hr/> |
| June 29, 2019 | June 30, 2018 |
| <hr/> | <hr/> |


Operating Activities

| | | |
|--|-------------|-----------|
| Net income (loss) | \$ (10,631) | \$ 40,685 |
| Adjustments to reconcile net income (loss) to cash provided by operating activities: | | |
| Depreciation of property and equipment | 8,447 | 7,643 |
| Amortization of other intangible assets and other assets | 20,476 | 18,366 |
| Amortization of debt discount and debt issuance costs | 6,659 | 6,354 |
| Stock-based compensation expense | 26,253 | 24,311 |
| Deferred income taxes | 24,043 | (5,830) |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | 893 | (16,705) |
| Inventories | 1,118 | (565) |
| Prepaid expenses and other assets | 11,326 | (1,759) |
| Accounts payable | 5,321 | 2,980 |
| Other current liabilities and income taxes | (18,101) | (17,249) |
| Deferred income, deferred revenue and returns liability | (1,228) | (4,193) |
| Other non-current liabilities | (3,222) | (3,260) |
| Net cash provided by operating activities | 71,354 | 50,778 |
| Investing Activities | | |
| Purchases of available-for-sale investments | (184,170) | (148,437) |
| Sales and maturities of available-for-sale investments | 151,428 | 295,405 |
| Purchases of property and equipment | (9,402) | (11,406) |
| Purchases of other assets | (2,588) | (5,893) |
| Acquisition of business, net of cash acquired | -- | (239,729) |
| Net cash used in investing activities | (44,732) | (110,060) |

Financing Activities

| | | |
|---|------------------|------------------|
| Repurchases of common stock | (26,716) | (3,397) |
| Payment of taxes withheld for vested stock awards | (14,509) | (18,408) |
| Proceeds from the issuance of common stock | 7,109 | 6,585 |
| Net cash used in financing activities | <u>(34,116)</u> | <u>(15,220)</u> |
| Decrease in cash and cash equivalents | (7,494) | (74,502) |
| Cash and cash equivalents at beginning of period | 197,043 | 269,366 |
| Cash and cash equivalents at end of period | <u>\$189,549</u> | <u>\$194,864</u> |

SOURCE Silicon Labs

Additional assets available online:  [Images \(1\)](#)

<https://news.silabs.com/2019-07-24-Silicon-Labs-Announces-Second-Quarter-2019-Results>