

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

	Three Months Ended		Nine Months Ended	
	September 28, 2019	September 29, 2018	September 28, 2019	September 29, 2018
Revenues	\$223,294	\$230,243	\$618,116	\$652,733
Cost of revenues	89,204	94,616	241,103	261,577
Gross profit	134,090	135,627	377,013	391,156
Operating expenses:				
Research and development	62,552	61,091	187,974	175,414
Selling, general and administrative	47,718	49,406	145,571	148,896
Operating expenses	110,270	110,497	333,545	324,310
Operating income	23,820	25,130	43,468	66,846
Other income (expense):				
Interest income and other, net	3,172	2,109	9,691	6,920
Interest expense	(5,126)	(4,932)	(15,128)	(14,703)
Income before income taxes	21,866	22,307	38,031	59,063
Provision (benefit) for income taxes	1,685	(5,454)	28,481	(9,383)
Net income	<u>\$ 20,181</u>	<u>\$ 27,761</u>	<u>\$ 9,550</u>	<u>\$ 68,446</u>
Earnings per share:				
Basic	\$ 0.47	\$ 0.64	\$ 0.22	\$ 1.59
Diluted	\$ 0.45	\$ 0.63	\$ 0.22	\$ 1.55
Weighted-average common shares outstanding:				
Basic	43,358	43,256	43,311	43,177
Diluted	44,634	44,194	44,120	44,135

Silicon Laboratories Inc.
Condensed Consolidated Balance Sheets
(In thousands, except per share data)
(Unaudited)

	September 28, 2019	December 29, 2018
Assets		
Current assets:		
Cash and cash equivalents	\$ 237,056	\$ 197,043
Short-term investments	457,879	416,779
Accounts receivable, net	76,169	73,194
Inventories	71,453	74,972
Prepaid expenses and other current assets	52,609	64,650
Total current assets	895,166	826,638
Property and equipment, net	136,601	139,049
Goodwill	397,344	397,344
Other intangible assets, net	140,941	170,832
Other assets, net	67,126	90,491
Total assets	\$1,637,178	\$1,624,354
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 38,724	\$ 41,171
Deferred revenue and returns liability	21,827	22,494
Other current liabilities	71,485	81,180
Total current liabilities	132,036	144,845
Convertible debt	364,802	354,771
Other non-current liabilities	56,586	57,448
Total liabilities	553,424	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; 43,373 and 43,088 shares issued and outstanding at September 28, 2019 and December 29, 2018, respectively	4	4
Additional paid-in capital	112,251	107,517
Retained earnings	970,893	961,343
Accumulated other comprehensive income (loss)	606	(1,574)
Total stockholders' equity	1,083,754	1,067,290
Total liabilities and stockholders' equity	\$1,637,178	\$1,624,354

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

	<u>Nine Months Ended</u>	
	<u>September 28,</u> <u>2019</u>	<u>September 29,</u> <u>2018</u>
Operating Activities		
Net income	\$ 9,550	\$ 68,446
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation of property and equipment	12,675	11,781
Amortization of other intangible assets and other assets	29,891	33,322
Amortization of debt discount and debt issuance costs	10,031	9,578
Stock-based compensation expense	40,042	36,893
Deferred income taxes	24,531	(2,994)
Changes in operating assets and liabilities:		
Accounts receivable	(2,975)	2,518
Inventories	3,512	5,066
Prepaid expenses and other assets	23,401	6,349
Accounts payable	6,419	8,675
Other current liabilities and income taxes	(15,602)	(23,814)
Deferred income, deferred revenue and returns liability	(667)	(2,816)
Other non-current liabilities	(5,957)	(7,878)
Net cash provided by operating activities	<u>134,851</u>	<u>145,126</u>
Investing Activities		
Purchases of available-for-sale investments	(306,645)	(253,973)
Sales and maturities of available-for-sale investments	268,140	371,885
Purchases of property and equipment	(12,773)	(18,267)
Purchases of other assets	(7,132)	(9,088)
Acquisition of business, net of cash acquired	--	(239,729)
Net cash used in investing activities	<u>(58,410)</u>	<u>(149,172)</u>
Financing Activities		
Payment of debt issuance costs	(1,127)	--
Repurchases of common stock	(26,716)	(24,272)
Payment of taxes withheld for vested stock awards	(15,693)	(18,927)
Proceeds from the issuance of common stock	7,108	6,585
Payment of acquisition-related contingent consideration	--	(3,380)
Net cash used in financing activities	<u>(36,428)</u>	<u>(39,994)</u>
Increase (decrease) in cash and cash equivalents	40,013	(44,040)
Cash and cash equivalents at beginning of period	<u>197,043</u>	<u>269,366</u>
Cash and cash equivalents at end of period	<u><u>\$237,056</u></u>	<u><u>\$225,326</u></u>

Non-GAAP Financial Measurements

In addition to the GAAP results provided throughout this document, Silicon Labs has provided non-GAAP financial measurements on a basis excluding non-cash and other charges and benefits. Details of these excluded items are presented in the tables below, which reconcile the GAAP results to non-GAAP financial measurements.

The non-GAAP financial measurements do not replace the presentation of Silicon Labs' GAAP financial results. These measurements provide supplemental information to assist management and investors in analyzing Silicon Labs' financial position and results of operations. Silicon Labs has chosen to provide this information to investors to enable them to perform meaningful comparisons of past, present and future operating results and as a means to emphasize the results of core on-going operations.

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

Non-GAAP Income Statement Items	Three Months Ended September 28, 2019					
	GAAP Measure	GAAP Percent of Revenue	Stock Compensation Expense	Intangible Asset Amortization	Non-GAAP Measure	Non-GAAP Percent of Revenue
Revenues	\$223,294					
Gross profit	134,090	60.1%	\$ 344	\$ --	\$134,434	60.2%
Research and development	62,552	28.0%	6,474	6,946	49,132	22.0%
Selling, general and administrative	47,718	21.4%	6,970	2,469	38,279	17.1%
Operating expenses	110,270	49.4%	13,444	9,415	87,411	39.1%
Operating income	23,820	10.7%	13,788	9,415	47,023	21.1%

Non-GAAP Earnings Per Share and Income Tax Rate	Three Months Ended September 28, 2019							Non-GAAP Tax Percentage Rate
	GAAP Measure	GAAP Tax Percentage Rate	Stock Compensation Expense	Intangible Asset Amortization	Non-cash Interest Expense	Income Tax Adjustments	Non- GAAP Measure	
Income before income taxes	\$21,866		\$13,788	\$9,415	\$2,930	\$ --	\$47,999	
Provision for income taxes	1,685	7.7%				3,627	5,312	11.1%
Net income	\$20,181						\$42,687	
Diluted shares outstanding	44,634						44,634	
Diluted earnings per share	\$ 0.45						\$ 0.96	

Unaudited Forward-Looking Statements Regarding Business Outlook**
(In millions, except per share data)

Business Outlook	Three Months Ending December 28, 2019		
	GAAP Measure	Non-GAAP Adjustments	Non-GAAP Measure
Gross margin	60.3%	0.2%	60.5%
Operating expenses	\$113	\$23	\$90
Effective tax rate	8.0%	3.5%	11.5%
Diluted earnings per share - low	\$0.33	\$0.51	\$0.84
Diluted earnings per share - high	\$0.43	\$0.51	\$0.94

** These financial schedules contain 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 these financial schedules to Silicon Labs shall mean Silicon Laboratories Inc.