

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

	<u>Three Months Ended</u>	
	<u>April 4, 2020</u>	<u>March 30, 2019</u>
Revenues	\$214,877	\$188,113
Cost of revenues	85,711	72,239
Gross profit	129,166	115,874
Operating expenses:		
Research and development	71,223	61,566
Selling, general and administrative	53,996	49,216
Operating expenses	125,219	110,782
Operating income	3,947	5,092
Other income (expense):		
Interest income and other, net	3,251	2,823
Interest expense	(5,541)	(4,997)
Income before income taxes	1,657	2,918
Provision (benefit) for income taxes	(587)	(2,480)
Net income	<u>\$ 2,244</u>	<u>\$ 5,398</u>
Earnings per share:		
Basic	\$ 0.05	\$ 0.12
Diluted	\$ 0.05	\$ 0.12
Weighted-average common shares outstanding:		
Basic	43,642	43,189
Diluted	44,388	43,716

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

	April 4, 2020	December 28, 2019
Assets		
Current assets:		
Cash and cash equivalents	\$ 615,770	\$ 227,146
Short-term investments	442,493	498,825
Accounts receivable, net	74,620	75,639
Inventories	68,160	73,057
Prepaid expenses and other current assets	46,994	69,192
Total current assets	1,248,037	943,859
Property and equipment, net	136,391	135,939
Goodwill	398,402	398,402
Other intangible assets, net	124,604	134,279
Other assets, net	63,648	62,374
Total assets	\$1,971,082	\$1,674,853
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 42,147	\$ 38,899
Revolving line of credit	310,000	--
Deferred revenue and returns liability	23,365	19,251
Other current liabilities	71,221	79,551
Total current liabilities	446,733	137,701
Convertible debt	371,993	368,257
Other non-current liabilities	52,753	53,844
Total liabilities	871,479	559,802
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; 43,670 and 43,496 shares issued and outstanding at April 4, 2020 and December 28, 2019, respectively	4	4
Additional paid-in capital	116,553	133,793
Retained earnings	983,377	980,608
Accumulated other comprehensive income (loss)	(331)	646
Total stockholders' equity	1,099,603	1,115,051
Total liabilities and stockholders' equity	\$1,971,082	\$1,674,853

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

	Three Months Ended	
	April 4, 2020	March 30, 2019
Operating Activities		
Net income	\$ 2,244	\$ 5,398
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation of property and equipment	4,183	4,137
Amortization of other intangible assets and other assets	9,827	10,320
Amortization of debt discount and debt issuance costs	3,736	3,321
Stock-based compensation expense	15,313	12,584
Deferred income taxes	(2,364)	(3,530)
Changes in operating assets and liabilities:		
Accounts receivable	1,542	3,323
Inventories	4,777	4,488
Prepaid expenses and other assets	23,576	6,410
Accounts payable	2,748	714
Other current liabilities and income taxes	(9,134)	(15,996)
Deferred revenue and returns liability	4,114	1,477
Other non-current liabilities	(862)	(631)
Net cash provided by operating activities	<u>59,700</u>	<u>32,015</u>
Investing Activities		
Purchases of available-for-sale investments	(70,910)	(63,577)
Sales and maturities of available-for-sale investments	126,920	99,068
Purchases of property and equipment	(4,135)	(3,874)
Purchases of other assets	(370)	(414)
Net cash provided by investing activities	<u>51,505</u>	<u>31,203</u>
Financing Activities		
Proceeds from revolving line of credit	310,000	--
Repurchases of common stock	(16,287)	(15,004)
Payment of taxes withheld for vested stock awards	(16,294)	(14,113)
Net cash provided by (used in) financing activities	<u>277,419</u>	<u>(29,117)</u>
Increase in cash and cash equivalents	388,624	34,101
Cash and cash equivalents at beginning of period	<u>227,146</u>	<u>197,043</u>
Cash and cash equivalents at end of period	<u>\$615,770</u>	<u>\$231,144</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 April 4, 2020							
	GAAP Measure	GAAP Percent of Revenue	Stock Compensation Expense	Intangible Asset Amortization	Acquisition Related Items	Restructuring Charges	Non-GAAP Measure	Non-GAAP Percent of Revenue
Revenues	\$214,877							
Gross margin	129,166	60.1%	\$ 335	\$ --	\$ 151	\$ 45	\$129,697	60.4%
Research and development	71,223	33.1%	7,370	7,167	--	1,434	55,252	25.7%
Selling, general and administrative	53,996	25.2%	7,608	2,505	1,284	1,318	41,281	19.3%
Operating expenses	125,219	58.3%	14,978	9,672	1,284	2,752	96,533	45.0%
Operating income	3,947	1.8%	15,313	9,672	1,435	2,797	33,164	15.4%

Non-GAAP Earnings Per Share and Income Tax Rate	Three Months Ended April 4, 2020									
	GAAP Measure	GAAP Tax Percentage Rate	Stock Compensation Expense	Intangible Asset Amortization	Acquisition Related Items	Restructuring Charges	Non-cash Interest Expense	Income Tax Adjustments	Non-GAAP Measure	Non-GAAP Tax Percentage Rate
Income before income taxes	\$ 1,657		\$15,313	\$9,672	\$1,435	\$2,797	\$3,246	\$ --	\$34,120	
Provision (benefit) for income taxes	(587)	(35.4)%					4,001		3,414	10.0%
Net income	\$ 2,244								\$30,706	
Diluted shares outstanding	44,388								44,388	
Diluted earnings per share	\$ 0.05								\$ 0.69	

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

Business Outlook	Three Months Ending July 4, 2020		
	GAAP Measure	Non-GAAP Adjustments*	Non-GAAP Measure
Gross margin	60.5%	0.5%	61.0%
Operating expenses	\$122.0	\$29.5	\$92.5
Effective tax rate	0.0%	10.5%	10.5%
Diluted earnings (loss) per share - low	\$(0.26)	\$0.71	\$0.45
Diluted earnings per share - high	\$(0.03)	\$0.71	\$0.68

* Non-GAAP adjustments include the following estimates: stock compensation expense of \$13.7 million, intangible asset amortization of \$13.0 million, acquisition related items of \$2.9 million, restructuring charges of \$1.2 million, and non-cash interest expense of \$3.0 million, and associated tax impact from the aforementioned items.

** 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: the impact of COVID-19 on the U.S. and the global economy, including the restrictions on travel and transportation and other actions that may be taken by governmental authorities and disruptions to the business of our customers or our global supply chain, the impact of COVID-19 on our employees and our ability to provide services to our customers and respond to their needs, 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; risks associated with international activities (including trade barriers); intellectual property litigation risks; risks associated with acquisitions and divestitures; product liability risks; difficulties managing Silicon Labs' distributors, manufacturers and subcontractors; dependence on a limited number of products; absence of long-term commitments from customers; 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 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.