



Silicon Labs Accelerates Revenue Growth in First Quarter 2022

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IoT Leader Demonstrates Strength Across Both Industrial & Commercial and Home & Life Business Units

AUSTIN, Texas, April 27, 2022 /PRNewswire/ -- [Silicon Labs](#) (NASDAQ: SLAB), a leader in secure, intelligent wireless technology for a more connected world, reported strong financial results for the first quarter, which ended April 2, 2022. Revenue exceeded the top end of the guidance range at \$234 million, up 12% sequentially and 48% year-on-year.



"We are off to an outstanding start in our first full year as the largest pure-play IoT wireless company. We delivered record revenue in the quarter and great operating results," said Matt Johnson, President and Chief Executive Officer, Silicon Labs. "Demand for our solutions remains strong, and our design win momentum is accelerating across our wireless portfolio and in both our Industrial & Commercial and Home & Life end markets."

First Quarter Financial Highlights

- Revenue increased to \$234 million, up 12% sequentially and 48% year-on-year
- Industrial & Commercial revenue for the quarter was \$127 million, up 61% year-on-year
- Home & Life revenue for the quarter was \$107 million, up 35% year-on-year
- Gross margin of 67% driven by the one-time financial impact of selling through lower cost inventory purchased prior to 2022

Results on a GAAP basis:

- GAAP gross margin was 67%
- GAAP R&D expenses were \$78 million
- GAAP SG&A expenses were \$45 million
- GAAP operating income as a percentage of revenue was 14.4%
- GAAP diluted earnings per share were \$0.58

Results on a non-GAAP basis, excluding the impact of stock compensation, amortization of acquired intangible assets, and certain other items as set forth in the reconciliation tables were as follows:

- Non-GAAP gross margin was 67%
- Non-GAAP R&D expenses were \$63 million
- Non-GAAP SG&A expenses were \$36 million
- Non-GAAP operating income as a percentage of revenue was 24.3%
- Non-GAAP diluted earnings per share were \$1.05

Business Highlights

- Announced and shipped initial samples of the xG24 family of SoCs, which support Matter and bring AI/ML acceleration to battery-powered edge devices. Initial customer response has been strong. The Alpha program sold out with participants representing a range of Smart Home and Industrial applications. For example,
 - SensiML is using the xG24's built-in machine learning accelerator to enable new IoT edge AI/ML applications for their customers. Together, SensiML and Silicon Labs are developing a proof-of-concept demonstration showing door locks using machine learning in audio sensors to detect and distinguish relatively subtle acoustic events to strengthen

home security.

- Tuya selected the MG24 to be part of its Tuya IoT development platform to offer a Matter-ready solution with the computing power and RAM needed for the sophisticated systems its customers are designing. More than 510,000 developers use the Tuya platform and Tuya-powered smart devices are sold through 100,000 sales channels worldwide.
- Viessmann, a global provider of heating and refrigeration systems, selected MG24 for its low current consumption, which makes it possible to introduce battery-powered heating and refrigeration products for flexible deployments within industrial settings.
- The xG24 performed very well on the important MLCommons Machine Learning and Inference Performance benchmark. With integrated AI/ML hardware acceleration, the xG24 SoCs provided up to 4x faster processing with up to 6x lower power consumption for machine learning workloads. This means even ultra-low-power wireless IoT devices can now be enhanced with machine learning capabilities.

"The xG24 family is just the latest in an impressive line-up of solutions built on our Series 2 platform," said Johnson. "With Series 2, we've been able to increase our R&D efficiency and deliver new products faster, and the market response has been fantastic. Sales of Series 1-based products have been strong. Series 2 sales have taken off even faster, and we have several more Series 2-based products on the horizon."

- Repurchased \$250 million of the company's shares in the open market thus far in 2022, resulting in the retirement of 1.76 million shares, and the company's board of directors approved repurchases of up to an additional \$350 million of the company's common stock through the end of 2022.

Business Outlook

The company expects second quarter revenue to be in the range of \$245 to \$255 million. The company also estimates the following results:

On a GAAP basis:

- GAAP gross margin of approximately 60.9%
- GAAP operating expenses of approximately \$129 million
- GAAP effective tax rate of approximately 33%
- GAAP diluted earnings per share to be between \$0.37 to \$0.47

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

- Non-GAAP gross margin of approximately 61%
- Non-GAAP operating expenses of approximately \$107 million
- Non-GAAP effective tax rate of approximately 26%
- Non-GAAP diluted earnings per share between \$0.85 to \$0.95

Earnings Webcast and Conference Call

Silicon Labs will host an earnings conference call to discuss the quarterly results and answer questions at 7:30 am CDT today. An audio webcast will be available on Silicon Labs' website (www.silabs.com) under [Investor Relations](#). In addition, the company will post an audio recording of the event at silabs.com/investors and make a replay available through May 4, 2022, online or by calling (877) 344-7529 (US) or (412) 317-0088 (international) and entering access code 1597850.

About Silicon Labs

Silicon Labs (NASDAQ: SLAB) is a leader in secure, intelligent wireless technology for a more connected world. Our integrated hardware and software platform, intuitive development tools, thriving ecosystem, and robust support make us an ideal long-term partner in building advanced industrial, commercial, home and life applications. We make it easy for developers to solve complex wireless challenges throughout the product lifecycle and get to market quickly with innovative solutions that transform industries, grow economies, and improve lives. 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: the timing and scope of anticipated share repurchases, and/or dividends; the impact of COVID-19 on the U.S. and global economy, including the restrictions on travel and transportation and other actions taken by governmental authorities and disruptions to the business of our customers or our global supply chain that have occurred or may occur in the future, the ongoing 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, particularly with respect to China); intellectual property litigation risks; risks associated with acquisitions and divestitures; product liability risks; difficulties managing and/or obtaining sufficient supply from 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 or pandemics, war and political unrest, including risks that demand and the supply chain may be adversely affected by military conflict (including between Russia and Ukraine), terrorism, sanctions or other geopolitical events globally; 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 and other factors that are detailed in the SEC filings of Silicon Laboratories Inc. The level of share repurchases and/or dividends depends on market conditions and the level of other uses of cash. 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 Ended | |
|--|--------------------|------------------|
| | April 2, 2022 | April 3, 2021 |
| Revenues | \$233,814 | \$157,857 |
| Cost of revenues | 78,042 | 66,103 |
| Gross profit | 155,772 | 91,754 |
| Operating expenses: | | |
| Research and development | 77,542 | 64,015 |
| Selling, general and administrative | 44,647 | 42,454 |
| Operating expenses | 122,189 | 106,469 |
| Operating income (loss) | 33,583 | (14,715) |
| Other income (expense): | | |
| Interest income and other, net | 1,499 | 1,149 |
| Interest expense | (1,680) | (11,324) |
| Income (loss) from continuing operations before income taxes | 33,402 | (24,890) |
| Provision for income taxes | 11,689 | 1,992 |
| Equity-method earnings | 1,194 | 1,726 |
| Income (loss) from continuing operations | 22,907 | (25,156) |

| | | |
|--|-----------|-----------|
| Income from discontinued operations, net of income taxes | -- | 38,665 |
| Net income | \$ 22,907 | \$ 13,509 |
| Basic earnings (loss) per share: | | |
| Continuing operations | \$ 0.60 | \$ (0.57) |
| Net income | \$ 0.60 | \$ 0.31 |
| Diluted earnings (loss) per share: | | |
| Continuing operations | \$ 0.58 | \$ (0.57) |
| Net income | \$ 0.58 | \$ 0.29 |
| Weighted-average common shares outstanding: | | |
| Basic | 38,003 | 44,160 |
| Diluted | 39,523 | 45,832 |

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 2, 2022 | | | | | |
| | GAAP Measure | GAAP Percent of Revenue | Stock Compensation Expense | Intangible Asset Amortization | Non-GAAP Measure | Non-GAAP Percent of Revenue |
| Revenues | \$233,814 | | | | | |
| Gross profit | 155,772 | 66.6% | \$272 | \$ -- | \$156,044 | 66.7% |
| Research and development | 77,542 | 33.2% | 6,991 | 7,570 | 62,981 | 26.9% |

| | | | | | | |
|-------------------------------------|--------|-------|--------|--------|--------|-------|
| Selling, general and administrative | 44,647 | 19.0% | 5,613 | 2,781 | 36,253 | 15.5% |
| Operating income | 33,583 | 14.4% | 12,876 | 10,351 | 56,810 | 24.3% |

Three Months Ended

April 2, 2022

| Non-GAAP Earnings Per Share | GAAP Measure | Stock Compensation Expense* | Intangible Asset Amortization* | Equity-Method Investment Adjustments* | Income Tax Adjustments | Non-GAAP Measure |
|------------------------------------|---------------------|------------------------------------|---------------------------------------|--|-------------------------------|-------------------------|
| Net income | \$22,907 | \$12,876 | \$10,351 | \$(1,194) | \$(3,410) | \$41,530 |
| Diluted shares outstanding | 39,523 | | | | | 39,523 |
| Diluted earnings per share | 0.58 | | | | | 1.05 |

* Represents pre-tax amounts

Unaudited Forward-Looking Statements Regarding Business Outlook

(In millions, except per share data)

| Business Outlook | Three Months Ending | | |
|-----------------------------------|----------------------------|------------------------------|-------------------------|
| | July 2, 2022 | | |
| | GAAP Measure | Non-GAAP Adjustments* | Non-GAAP Measure |
| Gross margin | 60.9% | 0.1% | 61% |
| Operating expenses | \$129 | \$(22) | \$107 |
| Effective tax rate | 33% | (7)% | 26% |
| Diluted earnings per share - low | \$0.37 | \$0.48 | \$0.85 |
| Diluted earnings per share - high | \$0.47 | \$0.48 | \$0.95 |

* Non-GAAP adjustments include the following estimates: stock compensation expense of \$13.9 million, intangible asset amortization of \$8.8 million and the associated tax impact from the aforementioned items.

Silicon Laboratories Inc.

Condensed Consolidated Balance Sheets

(In thousands, except per share data)

(Unaudited)

| | April 2, 2022 | January 1, 2022 |
|---|--------------------------|----------------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 765,911 | \$1,074,623 |
| Short-term investments | 1,167,807 | 964,582 |
| Accounts receivable, net | 79,233 | 98,313 |
| Inventories | 55,515 | 49,307 |
| Prepaid expenses and other current assets | 54,932 | 51,748 |
| Total current assets | 2,123,398 | 2,238,573 |
| Property and equipment, net | 147,940 | 146,516 |
| Goodwill | 376,389 | 376,389 |
| Other intangible assets, net | 108,627 | 118,978 |
| Other assets, net | 87,408 | 77,839 |
| Total assets | \$2,843,762 | \$2,958,295 |
| Liabilities and Stockholders' Equity | | |
| Current liabilities: | | |
| Accounts payable | \$ 64,388 | \$ 47,327 |
| Current portion of convertible debt, net | -- | 450,599 |
| Deferred revenue and returns liability | 21,640 | 13,849 |
| Other current liabilities | 160,180 | 157,052 |
| Total current liabilities | 246,208 | 668,827 |
| Convertible debt, net | 528,086 | -- |
| Other non-current liabilities | 61,813 | 77,044 |
| Total liabilities | 836,107 | 745,871 |
| 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; 37,204 and 38,481 shares issued and outstanding at April 2, 2022 and January 1, 2022, respectively | 4 | 4 |
| Retained earnings | 2,018,117 | 2,214,839 |
| Accumulated other comprehensive loss | (10,466) | (2,419) |
| Total stockholders' equity | 2,007,655 | 2,212,424 |
| Total liabilities and stockholders' equity | \$2,843,762 | \$2,958,295 |

Silicon Laboratories Inc.

Condensed Consolidated Statements of Cash Flows

(In thousands)

(Unaudited)

| | Three Months Ended | |
|---|---------------------------|--------------------------|
| | April 2, 2022 | April 3, 2021 |
| Operating Activities | | |
| Net income | \$ 22,907 | \$ 13,509 |
| Adjustments to reconcile net income to cash provided by (used in) operating activities of continuing operations: | | |
| Income from discontinued operations, net of income taxes | -- | (38,665) |
| Depreciation of property and equipment | 5,156 | 4,108 |
| Amortization of other intangible assets | 10,351 | 11,451 |
| Amortization of debt discount and debt issuance costs | 496 | 6,456 |
| Loss on extinguishment of convertible debt | -- | 3,370 |
| Stock -based compensation expense | 12,875 | 11,368 |
| Equity-method earnings | (1,194) | (1,726) |
| Deferred income taxes | (4,202) | (3,197) |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | 19,080 | (8,530) |
| Inventories | (6,215) | (4,908) |
| Prepaid expenses and other assets | 1,704 | (12,735) |
| Accounts payable | 8,932 | 14,116 |

| | | |
|--|--------|----------|
| Other current liabilities and income taxes | 8,345 | (13,432) |
| Deferred revenue and returns liability | 7,791 | 463 |
| Other non-current liabilities | (817) | (1,972) |
| Net cash provided by (used in) operating activities of continuing operations | 85,209 | (20,324) |

Investing Activities

| | | |
|--|-----------|---------|
| Purchases of marketable securities | (435,690) | (8,251) |
| Sales of marketable securities | 9,106 | 121,557 |
| Maturities of marketable securities | 213,750 | 39,835 |
| Purchases of property and equipment | (4,554) | (5,705) |
| Purchases of other assets | -- | (578) |
| Net cash provided by (used in) investing activities of continuing operations | (217,388) | 146,858 |

Financing Activities

| | | |
|--|-----------|-----------|
| Payments on debt | -- | (140,572) |
| Repurchases of common stock | (157,778) | -- |
| Payment of taxes withheld for vested stock awards | (8,755) | (17,817) |
| Net cash used in financing activities of continuing operations | (166,533) | (158,389) |

Discontinued Operations

| | | |
|--|------------|-----------|
| Operating activities | (10,000) | 34,827 |
| Investing activities | -- | (468) |
| Net cash provided by (used in) discontinued operations | (10,000) | 34,359 |
| Increase (decrease) in cash and cash equivalents | (308,712) | 2,504 |
| Cash and cash equivalents at beginning of period | 1,074,623 | 202,720 |
| Cash and cash equivalents at end of period | \$ 765,911 | \$205,224 |

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