



Silicon Labs Announces Second Quarter 2014 Results

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Broad-based Products Fuel Record Revenue

AUSTIN, Texas--(BUSINESS WIRE)-- [Silicon Labs](#) (NASDAQ: SLAB), a leader in high-performance, analog-intensive, mixed-signal integrated circuits (ICs), today reported financial results for its second quarter ended June 28, 2014. Revenue in the second quarter exceeded the top end of guidance and established a new record at \$154.9 million, which included \$5.0 million of patent sale revenue, up from \$145.7 million as reported in the first quarter.

Financial Highlights

On a GAAP basis:

- Gross margin was 63.7 percent
- R&D expenses were \$41.8 million
- SG&A expenses were \$36.0 million
- Operating income as a percentage of revenue was 13.4 percent
- Diluted earnings per share were \$0.32

On a non-GAAP basis (results exclude the impact of stock compensation, amortization from acquired intangible assets and certain other items as set forth in the reconciliation tables below):

- Gross margin was 64.1 percent
- R&D expenses were \$34.4 million
- SG&A expenses were \$31.3 million
- Operating income was 21.6 percent
- Diluted earnings per share were \$0.58

Business Highlights

- Broad-based revenue established a new record at \$79.7 million, up 10 percent sequentially.
- Broadcast revenue was \$50.5 million for the quarter, which included \$5.0 million from a patent sale. The patent sale revenue resulted from the acceleration of a royalty arrangement and was not forecasted.
- Access revenue also exceeded expectations at \$24.7 million.

Product Highlights

- Introduced a new family of ultra-low-power capacitive sensing MCUs, the [C8051F97x MCU](#) family, offering fast and accurate capacitive touch control technology backed by Silicon Labs' [Simplicity Studio](#)® development ecosystem.
- Launched a new 32-bit hardware and firmware development kit that simplifies the process of developing ["Made for iPod/iPhone/iPad" \(MFi\) accessories](#) and accelerates time to market for MFi accessory developers.
- Announced a comprehensive [Wireless M-Bus software solution](#) that simplifies the process of adding wireless connectivity to smart metering systems while enabling extended battery life.
- Joined other industry leaders to form the [Thread Group](#), leading the development of the next generation of IP-based wireless mesh networking for the Connected Home.
- Won an EDN China Innovation Award in the category of "Innovation Excellence: Leading Technologies" for the [EFM32™ Gecko family](#)

Business Outlook

The company expects revenue in the third quarter to be in the range of \$153 million to \$157 million and expects to establish another record in its Broad-based products. Third quarter diluted earnings per share are expected to be between \$0.18 and \$0.24 on a GAAP basis and between \$0.45 and \$0.51 on a non-GAAP basis.

"We are very pleased with our strong second quarter results, including record revenue in our Broad-based products," said Tyson Tuttle, CEO of Silicon Labs. "We are benefitting from our multi-year investment strategy for the IoT and Internet Infrastructure and realizing meaningful revenue growth."

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 simultaneously on Silicon Labs' website under Investor Relations (www.silabs.com). 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 by entering 39717389. The replay will be available through August 25.

About Silicon Labs

Silicon Labs is an industry leader in the innovation of high-performance, analog-intensive, mixed-signal ICs. Developed by a world-class engineering team with unsurpassed expertise in mixed-signal design, Silicon Labs' diverse portfolio of patented semiconductor solutions offers customers significant advantages in performance, size and power consumption. For more information about Silicon Labs, please visit 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; 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 Silicon Labs logo and Simplicity Studio are trademarks of Silicon Laboratories Inc. All other product names noted herein may be trademarks of their respective holders.

Silicon Laboratories Inc.

Condensed Consolidated Statements of Income

(In thousands, except per share data)

(Unaudited)

| | Three Months Ended | | Six Months Ended | |
|-------------------------------------|--------------------|------------------|------------------|------------------|
| | June 28, 2014 | June 29, 2013 | June 28, 2014 | June 29, 2013 |
| Revenues | \$ 154,918 | \$ 141,543 | \$ 300,609 | \$ 286,918 |
| Cost of revenues | 56,255 | 52,770 | 114,841 | 110,773 |
| Gross margin | 98,663 | 88,773 | 185,768 | 176,145 |
| Operating expenses: | | | | |
| Research and development | 41,844 | 37,387 | 84,329 | 74,969 |
| Selling, general and administrative | 36,017 | 32,357 | 70,628 | 61,510 |
| Operating expenses | 77,861 | 69,744 | 154,957 | 136,479 |
| Operating income | 20,802 | 19,029 | 30,811 | 39,666 |
| Other income (expense): | | | | |
| Interest income | 200 | 152 | 502 | 487 |
| Interest expense | (780) | (831) | (1,578) | (1,673) |
| Other income (expense), net | (6) | 114 | 61 | 62 |
| Income before income taxes | 20,216 | 18,464 | 29,796 | 38,542 |
| Provision for income taxes | 5,937 | 5,852 | 7,407 | 5,896 |
| Net income | \$ 14,279 | \$ 12,612 | \$ 22,389 | \$ 32,646 |
| Earnings per share: | | | | |
| Basic | \$ 0.33 | \$ 0.30 | \$ 0.52 | \$ 0.77 |

| | | | | |
|---------|---------|---------|---------|---------|
| Diluted | \$ 0.32 | \$ 0.29 | \$ 0.51 | \$ 0.76 |
|---------|---------|---------|---------|---------|

Weighted-average common shares outstanding:

| | | | | |
|---------|--------|--------|--------|--------|
| Basic | 43,462 | 42,552 | 43,271 | 42,370 |
| Diluted | 44,218 | 43,269 | 44,137 | 43,191 |

Unaudited Reconciliation of GAAP to Non-GAAP Financial Measures

(In thousands, except per share data)

Non-GAAP Income Statement Items Three Months Ended June 28, 2014

| | GAAP Measure | GAAP Percent of Revenue | Stock Compensation Expense | Intangible Asset Amortization | Acquisition Related Items | Non-GAAP Measure | Non-GAAP Percent of Revenue |
|-------------------------------------|--------------|-------------------------|----------------------------|-------------------------------|---------------------------|------------------|-----------------------------|
| Revenues | \$ 154,918 | | | | | | |
| Gross margin | 98,663 | 63.7 % | \$ 178 | \$ 390 | \$ -- | \$ 99,231 | 64.1 % |
| Research and development | 41,844 | 27.0 % | 4,327 | 3,104 | -- | 34,413 | 22.2 % |
| Selling, general and administrative | 36,017 | 23.3 % | 4,777 | 729 | (822) | 31,333 | 20.3 % |
| Operating income | 20,802 | 13.4 % | 9,282 | 4,223 | (822) | 33,485 | 21.6 % |

Non-GAAP Diluted Earnings Per Share Three Months Ended June 28, 2014

| | GAAP Measure | Stock Compensation Expense | Intangible Asset Amortization | Acquisition Related Items | Non-GAAP Measure |
|----------------------------|--------------|----------------------------|-------------------------------|---------------------------|------------------|
| Net income | \$ 14,279 | \$ 8,695 | \$ 3,388 | \$ (822) | \$ 25,540 |
| Diluted shares outstanding | 44,218 | -- | -- | -- | 44,218 |
| Diluted earnings per share | \$ 0.32 | | | | \$ 0.58 |

Unaudited Forward-Looking Statements Regarding Business Outlook (In thousands, except per share information)

| Business Outlook | Three Months Ending September 27, 2014 | |
|---|--|---------|
| | High | Low |
| Estimated GAAP diluted earnings per share | \$ 0.24 | \$ 0.18 |
| Estimated non-GAAP charges | 0.27 | 0.27 |
| Estimated non-GAAP diluted earnings per share | \$ 0.51 | \$ 0.45 |

Silicon Laboratories Inc.

Condensed Consolidated Balance Sheets

(In thousands, except per share data)

(Unaudited)

| | June 28, 2014 | December 28, 2013 |
|--|------------------|----------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 93,290 | \$ 95,800 |
| Short-term investments | 235,645 | 179,593 |
| Accounts receivable, net of allowances for doubtful accounts of \$788 at June 28, 2014 and \$797 at December 28, 2013 | 69,042 | 72,124 |
| Inventories | 45,557 | 45,271 |
| Deferred income taxes | 17,658 | 18,878 |
| Prepaid expenses and other current assets | 47,785 | 47,651 |
| Total current assets | 508,977 | 459,317 |
| Long-term investments | 10,993 | 10,632 |
| Property and equipment, net | 129,357 | 132,445 |
| Goodwill | 228,781 | 228,781 |
| Other intangible assets, net | 124,106 | 131,593 |
| Other assets, net | 22,251 | 28,382 |
| Total assets | \$ 1,024,465 | \$ 991,150 |
| Liabilities and Stockholders' Equity | | |
| Current liabilities: | | |
| Accounts payable | \$ 24,745 | \$ 22,126 |
| Current portion of long-term debt | 10,000 | 7,500 |
| Accrued expenses | 65,672 | 45,975 |
| Deferred income on shipments to distributors | 33,437 | 30,853 |
| Income taxes | 896 | 2,693 |
| Total current liabilities | 134,750 | 109,147 |
| Long-term debt | 82,500 | 87,500 |
| Other non-current liabilities | 29,610 | 55,941 |
| Total liabilities | 246,860 | 252,588 |
| Commitments and contingencies | | |
| Stockholders' equity: | | |
| Preferred stock - \$0.0001 par value; 10,000 shares authorized; no shares issued and outstanding | -- | -- |
| Common stock - \$0.0001 par value; 250,000 shares authorized; 43,406 and 42,779 shares issued and outstanding at June 28, 2014 and December 28, 2013, respectively | 4 | 4 |
| Additional paid-in capital | 65,199 | 48,630 |
| Retained earnings | 713,001 | 690,612 |
| Accumulated other comprehensive loss | (599) | (684) |
| Total stockholders' equity | 777,605 | 738,562 |
| Total liabilities and stockholders' equity | \$ 1,024,465 | \$ 991,150 |

Silicon Laboratories Inc.

Condensed Consolidated Statements of Cash Flows

(In thousands)

(Unaudited)

| | Six Months Ended | |
|-----------------------------|------------------|------------------|
| | June 28, 2014 | June 29, 2013 |
| Operating Activities | | |
| Net income | \$ 22,389 | \$ 32,646 |

| | | |
|---|------------|------------|
| Adjustments to reconcile net income to cash provided by operating activities: | | |
| Depreciation of property and equipment | 6,427 | 6,634 |
| Amortization of other intangible assets and other assets | 8,839 | 5,635 |
| Stock-based compensation expense | 18,559 | 13,684 |
| Income tax benefit (shortfall) from stock-based awards | 377 | (489) |
| Excess income tax benefit from stock-based awards | (589) | (243) |
| Deferred income taxes | 4,665 | 9,277 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | 3,082 | 9,388 |
| Inventories | (123) | (1,028) |
| Prepaid expenses and other assets | 3,394 | 5,023 |
| Accounts payable | 3,846 | (2,271) |
| Accrued expenses | (4,902) | (6,013) |
| Deferred income on shipments to distributors | 2,584 | 293 |
| Income taxes | (5,130) | (6,439) |
| Net cash provided by operating activities | 63,418 | 66,097 |
| Investing Activities | | |
| Purchases of available-for-sale investments | (117,744) | (121,994) |
| Proceeds from sales and maturities of available-for-sale investments | 61,803 | 146,870 |
| Purchases of property and equipment | (3,339) | (6,498) |
| Purchases of other assets | (2,726) | (2,438) |
| Net cash provided by (used in) investing activities | (62,006) | 15,940 |
| Financing Activities | | |
| Proceeds from issuance of common stock, net of shares withheld for taxes | 8,943 | 9,512 |
| Excess income tax benefit from stock-based awards | 589 | 243 |
| Repurchases of common stock | (10,954) | -- |
| Payments on debt | (2,500) | (3,750) |
| Net cash provided by (used in) financing activities | (3,922) | 6,005 |
| Increase (decrease) in cash and cash equivalents | (2,510) | 88,042 |
| Cash and cash equivalents at beginning of period | 95,800 | 105,426 |
| Cash and cash equivalents at end of period | \$ 93,290 | \$ 193,468 |

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