



Silicon Laboratories Reports Fourth Quarter and Year-End Results

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Company Grows 2008 Revenue by 23 Percent, Achieves Near Model Performance and Reduces Operating Expenses

AUSTIN, Texas--(BUSINESS WIRE)--

Silicon Laboratories Inc. (Nasdaq: SLAB), a leader in high-performance, analog-intensive, mixed-signal integrated circuits (ICs), today reported fourth quarter revenue of \$99.3 million, bringing year-end revenue to \$415.6 million, a 23 percent year over year increase. In the fourth quarter, the company delivered solid operating performance and strong gross margins while reducing operating expenses in response to the decline in industry-wide demand.

On a GAAP basis, the company reported 2008 gross margins of 61.5 percent, operating expenses of \$212 million and operating income of \$43.7 million. Diluted earnings per share for the year were \$0.67.

2008 Business Highlights

- Year over year revenue growth was driven by double-digit increases in every major product line, compared to negative industry growth and a challenging demand environment.
- The introduction of a record number of products included the addition of new vectors in MCUs, short-range wireless, power, video, consumer audio and mid to low end clocks and oscillators.
- The company delivered 24 percent non-GAAP operating income and 45 percent growth in non-GAAP earnings per share.
- The company reduced SG&A expense as a percent of revenue by more than 300 basis points compared to the prior year.
- Strong operating performance produced excellent cash flow, and the company returned \$280 million to shareholders in the form of share repurchases.

Fourth Quarter Financial Results

Fourth quarter revenue of \$99.3 million represented a 12.5 percent sequential decrease. GAAP gross margin was 60.5 percent of revenue. On a GAAP basis, R&D investment for the period was \$27.4 million and SG&A expense was \$25.6 million, totaling \$53 million in operating expenses. Fourth quarter GAAP operating income was \$7.1 million. Other income, principally interest on invested cash, was approximately \$1 million. GAAP diluted earnings per share were \$0.14.

The following non-GAAP results exclude the impact of stock compensation expense and \$2.6 million in other one-time charges. Non-GAAP gross margin was 61.8 percent, at the high end of the company's target range of 60 to 62 percent. Non-GAAP operating expenses declined from the fourth quarter forecast by more than six percent to \$41.4 million. Non-GAAP operating income was \$20 million or 20.1 percent of revenue. Non-GAAP diluted earnings per share were \$0.37. The reconciling charges are set forth in the financial measures table included below.

During the fourth quarter, both accounts receivables and inventory declined. Inventory decreased by 18 percent sequentially as the company reacted quickly to changing demand. In the fourth quarter, the company repurchased \$38 million or 1.7 million shares and ended the year with a cash, cash equivalents and investments balance of \$325 million.

Business Summary

The company's RF business experienced a sequential decline in the fourth quarter. Consumer demand weakness impacted the business, particularly sales into portable navigation devices. However, design activity remained strong, with approximately 100 new audio design wins during the quarter and significant tier-one design wins in both video and short-range wireless.

The Access business experienced a single-digit sequential decline in the fourth quarter driven by weakness among residential gateway and PON terminal customers. The Broad-based business was also down sequentially, with the MCU products most heavily impacted by the macro economic weakness and declining significantly across most end-market segments.

"Despite the effects of macro economic weakness, we executed well in 2008, increasing share and further diversifying," said Necip Sayiner, president and CEO of Silicon Laboratories. "While ongoing inventory contraction and a deteriorating demand environment are expected to result in a sequential revenue decline of 20 to 25 percent for the first quarter, we believe we are building significant market share momentum due to very compelling new products and a strong position at our customers. We intend to contain costs and preserve cash flow while continuing to invest in key programs to build upon these hard-earned market share gains."

Webcast and Conference Call

A conference call discussing the results will follow this press release today at 7:30 a.m. Central Time. An audio webcast will be available simultaneously on Silicon Laboratories' website under Investor Relations (www.silabs.com). A replay will be available after the call at the same website listed above or by calling 1-866-516-0673 or +1 203-369-2037 (international). Replays will be available through February 18th, 2009.

About Silicon Laboratories Inc.

Silicon Laboratories Inc. is a leading designer of high-performance, analog-intensive, mixed-signal integrated circuits (ICs) for a broad range of applications. Silicon Laboratories' diverse portfolio of highly integrated, patented solutions is developed by a world-class engineering team with expertise in cutting-edge mixed-signal design. The company has design, engineering, marketing, sales and applications offices throughout North America, Europe and Asia. For more information about Silicon Laboratories, please visit www.silabs.com.

Forward Looking Statements

This press release contains forward-looking statements based on Silicon Laboratories' current expectations. The words "believe," "estimate," "expect," "intend," "anticipate," "plan," "project," "will" and similar phrases as they relate to Silicon Laboratories are intended to identify such forward-looking statements. These forward-looking statements reflect the current views and assumptions of Silicon Laboratories 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 Laboratories may not be able to maintain its historical growth; quarterly fluctuations in revenues and operating results; volatile stock price; average selling prices of products may decrease significantly and rapidly, dependence on a limited number of products and customers; difficulties developing new products that achieve market acceptance; risks that Silicon Laboratories may not be able to manage strains associated with its growth; dependence on key personnel; difficulties managing our manufacturers and subcontractors; difficulties managing international activities; credit risks associated with our accounts receivable; geographic concentration of manufacturers, assemblers, test service providers and customers in Asia that subjects Silicon Laboratories' business and results of operations to risks of natural disasters, epidemics, war and political unrest; product development risks; inventory-related risks; intellectual property litigation risks; risks associated with acquisitions (including risks that acquisitions may not yield the expected benefits due to the failure to properly integrate the acquired businesses and employees; risks that the customer base and revenue of the acquired businesses may cease to expand or may decline; risks that the acquired business' products under development may fail to achieve market acceptance; risks of disputes regarding the acquired business; risks that the performance of Silicon Laboratories' existing business may not offset the dilutive effect of an acquisition); risks associated with divestitures; the competitive and cyclical nature of the semiconductor industry and other factors that are detailed in Silicon Laboratories' filings with the SEC. Silicon Laboratories disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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Silicon Laboratories Inc.

Consolidated Statements of Income

(In thousands, except per share data)

(Unaudited)

| | Three Months Ended | | Twelve Months Ended | |
|----------------------------------------------------------|--------------------|----------------------|---------------------|----------------------|
| | January 3, 2009 | December 29, 2007 | January 3, 2009 | December 29, 2007 |
| Revenues | \$ 99,348 | \$ 100,111 | \$ 415,630 | \$ 337,461 |
| Cost of revenues | 39,252 | 36,565 | 159,845 | 130,225 |
| Gross margin | 60,096 | 63,546 | 255,785 | 207,236 |
| Operating expenses: | | | | |
| Research and development | 27,369 | 21,524 | 101,205 | 89,320 |
| Selling, general and administrative | 25,639 | 27,551 | 100,674 | 94,819 |
| In-process research and development | -- | -- | 10,250 | -- |
| Operating expenses | 53,008 | 49,075 | 212,129 | 184,139 |
| Operating income | 7,088 | 14,471 | 43,656 | 23,097 |
| Other income (expense): | | | | |
| Interest income | 1,172 | 6,523 | 10,449 | 24,525 |
| Interest expense | (108) | (101) | (433) | (628) |
| Other income (expense), net | (16) | (87) | (556) | (469) |
| Income from continuing operations before income taxes | 8,136 | 20,806 | 53,116 | 46,525 |
| Provision (benefit) for income taxes | 1,812 | 4,888 | 20,181 | 6,838 |
| Income from continuing operations | 6,324 | 15,918 | 32,935 | 39,687 |
| Income from discontinued operations, net of income taxes | -- | 5,399 | -- | 165,149 |
| Net income | \$ 6,324 | \$ 21,317 | \$ 32,935 | \$ 204,836 |
| Basic earnings per share: | | | | |
| Income from continuing operations | \$ 0.14 | \$ 0.29 | \$ 0.68 | \$ 0.72 |
| Net income | \$ 0.14 | \$ 0.39 | \$ 0.68 | \$ 3.74 |

| | | | | |
|-----------------------------------|---------|---------|---------|---------|
| Diluted earnings per share: | | | | |
| Income from continuing operations | \$ 0.14 | \$ 0.28 | \$ 0.67 | \$ 0.70 |
| Net income | \$ 0.14 | \$ 0.38 | \$ 0.67 | \$ 3.64 |

Weighted-average common shares outstanding:

| | | | | |
|---------|--------|--------|--------|--------|
| Basic | 45,256 | 54,377 | 48,109 | 54,826 |
| Diluted | 45,635 | 55,901 | 48,989 | 56,321 |

Unaudited Reconciliation of GAAP to Non-GAAP Financial Measures

(In thousands, except per share data)

| Non-GAAP Income Statement Items | Three Months Ended | | | | | | | | |
|---------------------------------|--------------------|-------------------------|--------|----------------------------|-----------------------------------|-------------------------------------|------------------|-----------------------------|--|
| | January 3, 2009 | | | | | | | | |
| | GAAP Measure | GAAP Percent of Revenue | | Stock Compensation Expense | Termination Costs and Impairments | Cost of Sales Fair Value Adjustment | Non-GAAP Measure | Non-GAAP Percent of Revenue | |
| Revenues | \$ 99,348 | | | | | | | | |
| Gross margin | 60,096 | 60.5 % | \$ 586 | \$ -- | \$ 761 | \$ 61,443 | 61.8 % | | |
| Operating expenses | 53,008 | 53.4 % | 9,690 | 1,859 | -- | 41,459 | 41.7 % | | |
| Operating income | 7,088 | 7.1 % | 10,276 | 1,859 | 761 | 19,984 | 20.1 % | | |

| Non-GAAP Diluted Earnings Per Share | Three Months Ended | | | | |
|-------------------------------------------------------|--------------------|----------------------------|-----------------------------------|-------------------------------------|------------------|
| | January 3, 2009 | | | | |
| | GAAP Measure | Stock Compensation Expense | Termination Costs and Impairments | Cost of Sales Fair Value Adjustment | Non-GAAP Measure |
| Income from continuing operations | \$ 6,324 | \$ 8,691 | \$ 1,208 | \$ 495 | \$ 16,718 |
| Diluted shares outstanding | 45,635 | -- | -- | -- | 45,635 |
| Diluted earnings per share from continuing operations | \$ 0.14 | | | | \$ 0.37 |

Unaudited Reconciliation of GAAP to Non-GAAP Financial Measures

(In thousands, except per share data)

| Non-GAAP Income Statement Items | Twelve Months Ended | | | | | | | | |
|---------------------------------|---------------------|-------------------------|-----------|----------------------------|-----------------------------------|-------------------------------------|-----------|------------------|-----------------------------|
| | January 3, 2009 | | | | | | | | |
| | GAAP Measure | GAAP Percent of Revenue | | Stock Compensation Expense | Termination Costs and Impairments | Cost of Sales Fair Value Adjustment | IPR&D | Non-GAAP Measure | Non-GAAP Percent of Revenue |
| Revenues | \$ 415,630 | | | | | | | | |
| Operating income | 43,656 | 10.5 % | \$ 40,669 | \$ 1,859 | \$ 2,159 | \$ 10,250 | \$ 98,593 | 23.7 % | |

| Non-GAAP Diluted Earnings Per Share | Twelve Months Ended | | | | | | |
|-------------------------------------------------------|---------------------|----------------------------|-----------------------------------|-------------------------------------|-------------------------|-----------|------------------|
| | January 3, 2009 | | | | | | |
| | GAAP Measure | Stock Compensation Expense | Termination Costs and Impairments | Cost of Sales Fair Value Adjustment | Acquisition Tax Expense | IPR&D | Non-GAAP Measure |
| Income from continuing operations | \$ 32,935 | \$ 35,022 | \$ 1,208 | \$ 1,403 | \$ 11,756 | \$ 10,250 | \$ 92,574 |
| Diluted shares outstanding | 48,989 | -- | -- | -- | -- | -- | 48,989 |
| Diluted earnings per share from continuing operations | \$ 0.67 | | | | | | \$ 1.89 |

| Non-GAAP Diluted Earnings Per Share | Twelve Months Ended | | | |
|-------------------------------------------------------|---------------------|----------------------------|--------------------|------------------|
| | December 29, 2007 | | | |
| | GAAP Measure | Stock Compensation Expense | Relocation Charges | Non-GAAP Measure |
| Income from continuing operations | \$ 39,687 | \$ 33,223 | \$ 523 | \$ 73,433 |
| Diluted shares outstanding | 56,321 | -- | -- | 56,321 |
| Diluted earnings per share from continuing operations | \$ 0.70 | | | \$ 1.30 |

Silicon Laboratories Inc.

Consolidated Balance Sheets

(In thousands, except per share data)

(Unaudited)

| | January 3, 2009 | December 29, 2007 |
|--------------------------------------------------------------------------------------------------------------------------|--------------------|----------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 172,272 | \$ 264,408 |
| Short-term investments | 101,267 | 308,566 |
| Accounts receivable, net of allowance for doubtful accounts of \$1,011 at January 3, 2009 and \$517 at December 29, 2007 | 36,144 | 51,211 |
| Inventories | 28,293 | 28,587 |
| Deferred income taxes | 6,439 | 6,025 |
| Prepaid expenses and other current assets | 18,297 | 33,895 |
| Total current assets | 362,712 | 692,692 |
| Long-term investments | 51,821 | -- |
| Property, equipment and software, net | 30,496 | 28,157 |
| Goodwill | 105,515 | 73,199 |
| Other intangible assets, net | 49,728 | 18,077 |
| Other assets, net | 23,973 | 28,121 |

| | | |
|--------------|------------|------------|
| Total assets | \$ 624,245 | \$ 840,246 |
|--------------|------------|------------|

Liabilities and Stockholders' Equity

Current liabilities:

| | | |
|----------------------------------------------|-----------|-----------|
| Accounts payable | \$ 22,274 | \$ 33,321 |
| Accrued expenses | 29,119 | 26,397 |
| Deferred income on shipments to distributors | 21,599 | 28,448 |
| Income taxes | 4 | 5,226 |
| Total current liabilities | 72,996 | 93,392 |
| Long-term obligations and other liabilities | 48,789 | 43,309 |
| Total liabilities | 121,785 | 136,701 |

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; 44,613 and 52,810 shares issued and outstanding at January 3, 2009 and December 29, 2007, respectively | 4 | 5 |
| Additional paid-in capital | 75,711 | 303,682 |
| Retained earnings | 432,793 | 399,858 |
| Accumulated other comprehensive loss | (6,048) | -- |
| Total stockholders' equity | 502,460 | 703,545 |
| Total liabilities and stockholders' equity | \$ 624,245 | \$ 840,246 |

Source: Silicon Laboratories Inc.

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