

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

	Three Months Ended		Six Months Ended	
	July 4, 2020	June 29, 2019	July 4, 2020	June 29, 2019
Revenues	\$207,533	\$206,709	\$422,410	\$394,822
Cost of revenues	81,222	79,660	166,933	151,899
Gross profit	126,311	127,049	255,477	242,923
Operating expenses:				
Research and development	70,838	63,856	142,061	125,422
Selling, general and administrative	48,404	48,637	102,400	97,853
Operating expenses	119,242	112,493	244,461	223,275
Operating income	7,069	14,556	11,016	19,648
Other income (expense):				
Interest income and other, net	3,267	3,696	6,518	6,519
Interest expense	(11,778)	(5,005)	(17,319)	(10,002)
Income (loss) before income taxes	(1,442)	13,247	215	16,165
Provision (benefit) for income taxes	381	29,276	(206)	26,796
Net income (loss)	\$ (1,823)	\$ (16,029)	\$ 421	\$ (10,631)
Earnings (loss) per share:				
Basic	\$ (0.04)	\$ (0.37)	\$ 0.01	\$ (0.25)
Diluted	\$ (0.04)	\$ (0.37)	\$ 0.01	\$ (0.25)
Weighted-average common shares outstanding:				
Basic	43,761	43,386	43,699	43,287
Diluted	43,761	43,386	44,219	43,287

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

	July 4, 2020	December 28, 2019
Assets		
Current assets:		
Cash and cash equivalents	\$ 277,659	\$ 227,146
Short-term investments	445,685	498,825
Accounts receivable, net	70,487	75,639
Inventories	70,022	73,057
Prepaid expenses and other current assets	53,584	69,192
Total current assets	917,437	943,859
Property and equipment, net	140,200	135,939
Goodwill	631,932	398,402
Other intangible assets, net	189,923	134,279
Other assets, net	44,215	62,374
Total assets	\$1,923,707	\$1,674,853
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 40,245	\$ 38,899
Deferred revenue and returns liability	26,358	19,251
Other current liabilities	68,397	79,551
Total current liabilities	135,000	137,701
Convertible debt	571,774	368,257
Other non-current liabilities	59,287	53,844
Total liabilities	766,061	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; 43,796 and 43,496 shares issued and outstanding at July 4, 2020 and December 28, 2019, respectively	4	4
Additional paid-in capital	173,477	133,793
Retained earnings	981,554	980,608
Accumulated other comprehensive income	2,611	646
Total stockholders' equity	1,157,646	1,115,051
Total liabilities and stockholders' equity	\$1,923,707	\$1,674,853

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

	Six Months Ended	
	July 4, 2020	June 29, 2019
Operating Activities		
Net income (loss)	\$ 421	\$ (10,631)
Adjustments to reconcile net income (loss) to cash provided by operating activities:		
Depreciation of property and equipment	8,428	8,447
Amortization of other intangible assets and other assets	21,568	20,476
Amortization of debt discount and debt issuance costs	8,359	6,659
Loss on extinguishment of convertible debt	3,685	--
Stock-based compensation expense	29,770	26,253
Deferred income taxes	1,177	24,043
Changes in operating assets and liabilities:		
Accounts receivable	7,070	893
Inventories	6,767	1,118
Prepaid expenses and other assets	21,821	11,326
Accounts payable	(769)	5,321
Other current liabilities and income taxes	(15,442)	(18,101)
Deferred revenue and returns liability	6,678	(1,228)
Other non-current liabilities	970	(3,222)
Net cash provided by operating activities	<u>100,503</u>	<u>71,354</u>
Investing Activities		
Purchases of available-for-sale investments	(199,347)	(184,170)
Sales and maturities of available-for-sale investments	255,112	151,428
Purchases of property and equipment	(10,394)	(9,402)
Purchases of other assets	(820)	(2,588)
Acquisition of business, net of cash acquired	(316,809)	--
Net cash used in investing activities	<u>(272,258)</u>	<u>(44,732)</u>
Financing Activities		
Proceeds from issuance of debt	845,000	--
Payments on debt	(597,446)	--
Repurchases of common stock	(16,287)	(26,716)
Payment of taxes withheld for vested stock awards	(16,756)	(14,509)
Proceeds from the issuance of common stock	7,757	7,109
Net cash provided by (used in) financing activities	<u>222,268</u>	<u>(34,116)</u>
Increase (decrease) in cash and cash equivalents	50,513	(7,494)
Cash and cash equivalents at beginning of period	227,146	197,043
Cash and cash equivalents at end of period	<u>\$277,659</u>	<u>\$189,549</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 July 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	\$207,533									
Gross margin	126,311	60.9%	\$ 376	\$ --	\$ 608	\$ 44	\$127,339	61.4%		
Research and development	70,838	34.1%	7,072	8,454	2,017	844	52,451	25.3%		
Selling, general and administrative	48,404	23.4%	7,009	2,764	767	397	37,467	18.1%		
Operating expenses	119,242	57.5%	14,081	11,218	2,784	1,241	89,918	43.4%		
Operating income	7,069	3.4%	14,457	11,218	3,392	1,285	37,421	18.0%		
Non-GAAP Earnings Per Share and Income Tax Rate	Three Months Ended July 4, 2020									
	GAAP Measure	GAAP Tax Percentage Rate	Stock Compensation Expense	Intangible Asset Amortization	Acquisition Related Items	Restructuring Charges	Interest Expense Adjustments	Income Tax Adjustments	Non-GAAP Measure	Non-GAAP Tax Percentage Rate
Income (loss) before income taxes	\$(1,442)		\$14,457	\$11,218	\$3,392	\$1,285	\$8,692	\$ --	\$37,602	
Provision for income taxes	381	(26.4)%						4,533	4,914	13.1%
Net income (loss)	\$(1,823)								\$32,688	
	GAAP Measure		Dilutive Securities Excluded From GAAP Measure Due to Net Loss						Non-GAAP Measure	
Diluted shares outstanding	43,761				293				44,054	
Diluted earnings (loss) per share	\$ (0.04)								\$ 0.74	

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

Business Outlook	Three Months Ending October 3, 2020		
	GAAP Measure	Non-GAAP Adjustments*	Non-GAAP Measure
Gross margin	60%	0.5%	60.5%
Operating expenses	\$118	\$26	\$92
Effective tax rate	0.0%	11.5%	11.5%
Diluted earnings (loss) per share - low	\$(0.01)	\$0.68	\$0.67
Diluted earnings per share - high	\$0.09	\$0.68	\$0.77

* Non-GAAP adjustments include the following estimates: stock compensation expense of \$14.9 million, intangible asset amortization of \$11.8 million, acquisition related items of \$1.2 million, restructuring charges of \$0.04 million, and interest expense adjustments of \$6.1 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 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); 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.