

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

	<u>Three Months Ended</u>		<u>Year Ended</u>	
	<u>December 28, 2019</u>	<u>December 29, 2018</u>	<u>December 28, 2019</u>	<u>December 29, 2018</u>
Revenues	\$219,438	\$215,534	\$837,554	\$868,267
Cost of revenues	86,167	85,291	327,270	346,868
Gross profit	133,271	130,243	510,284	521,399
Operating expenses:				
Research and development	69,176	62,933	257,150	238,347
Selling, general and administrative	50,866	48,948	196,437	197,844
Operating expenses	120,042	111,881	453,587	436,191
Operating income	13,229	18,362	56,697	85,208
Other income (expense):				
Interest income and other, net	3,494	(273)	13,185	6,647
Interest expense	(5,105)	(4,991)	(20,233)	(19,694)
Income before income taxes	11,618	13,098	49,649	72,161
Provision (benefit) for income taxes	1,903	(2,047)	30,384	(11,430)
Net income	<u>\$ 9,715</u>	<u>\$ 15,145</u>	<u>\$ 19,265</u>	<u>\$ 83,591</u>
Earnings per share:				
Basic	\$ 0.22	\$ 0.35	\$ 0.44	\$ 1.94
Diluted	\$ 0.22	\$ 0.35	\$ 0.43	\$ 1.90
Weighted-average common shares outstanding:				
Basic	43,450	43,109	43,346	43,159
Diluted	44,801	43,774	44,290	44,044

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

	December 28, 2019	December 29, 2018
Assets		
Current assets:		
Cash and cash equivalents	\$ 227,146	\$ 197,043
Short-term investments	498,825	416,779
Accounts receivable, net	75,639	73,194
Inventories	73,057	74,972
Prepaid expenses and other current assets	69,192	64,650
Total current assets	943,859	826,638
Property and equipment, net	135,939	139,049
Goodwill	398,402	397,344
Other intangible assets, net	134,279	170,832
Other assets, net	62,374	90,491
Total assets	\$1,674,853	\$1,624,354
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 38,899	\$ 41,171
Deferred revenue and returns liability	19,251	22,494
Other current liabilities	79,551	81,180
Total current liabilities	137,701	144,845
Convertible debt	368,257	354,771
Other non-current liabilities	53,844	57,448
Total liabilities	559,802	557,064
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; 43,496 and 43,088 shares issued and outstanding at December 28, 2019 and December 29, 2018, respectively	4	4
Additional paid-in capital	133,793	107,517
Retained earnings	980,608	961,343
Accumulated other comprehensive income (loss)	646	(1,574)
Total stockholders' equity	1,115,051	1,067,290
Total liabilities and stockholders' equity	\$1,674,853	\$1,624,354

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

	Year Ended	
	December 28, 2019	December 29, 2018
Operating Activities		
Net income	\$ 19,265	\$ 83,591
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation of property and equipment	16,883	15,912
Amortization of other intangible assets and other assets	39,584	44,102
Amortization of debt discount and debt issuance costs	13,485	12,892
Stock-based compensation expense	54,799	50,077
Deferred income taxes	23,048	(8,210)
Changes in operating assets and liabilities:		
Accounts receivable	(2,401)	3,931
Inventories	2,171	7,660
Prepaid expenses and other assets	8,965	(4,960)
Accounts payable	7,830	5,952
Other current liabilities and income taxes	(6,826)	(21,828)
Deferred income, deferred revenue and returns liability	(3,243)	(6,202)
Other non-current liabilities	(7,038)	(9,375)
Net cash provided by operating activities	<u>166,522</u>	<u>173,542</u>
Investing Activities		
Purchases of available-for-sale investments	(424,524)	(395,904)
Sales and maturities of available-for-sale investments	344,937	474,129
Purchases of property and equipment	(16,279)	(24,462)
Purchases of other assets	(8,396)	(11,063)
Acquisitions of businesses, net of cash acquired	(2,510)	(239,729)
Net cash used in investing activities	<u>(106,772)</u>	<u>(197,029)</u>
Financing Activities		
Payment of debt issuance costs	(1,132)	--
Repurchases of common stock	(26,716)	(39,276)
Payment of taxes withheld for vested stock awards	(16,295)	(19,483)
Proceeds from the issuance of common stock	14,496	13,303
Payment of acquisition-related contingent consideration	--	(3,380)
Net cash used in financing activities	<u>(29,647)</u>	<u>(48,836)</u>
Increase (decrease) in cash and cash equivalents	30,103	(72,323)
Cash and cash equivalents at beginning of period	<u>197,043</u>	<u>269,366</u>
Cash and cash equivalents at end of period	<u>\$227,146</u>	<u>\$197,043</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 December 28, 2019							
	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	\$219,438							
Gross margin	133,271	60.7%	\$ 328	\$ --	\$ 55	\$ --	\$133,654	60.9%
Research and development	69,176	31.5%	7,157	7,145	--	2,847	52,027	23.7%
Selling, general and administrative	50,866	23.2%	7,273	2,494	950	791	39,358	17.9%
Operating expenses	120,042	54.7%	14,430	9,639	950	3,638	91,385	41.6%
Operating income	13,229	6.0%	14,758	9,639	1,005	3,638	42,269	19.3%

Non-GAAP Earnings Per Share and Income Tax Rate	Three Months Ended December 28, 2019									
	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	\$11,618		\$14,758	\$9,639	\$1,005	\$3,638	\$3,001	\$ --	\$43,659	
Provision for income taxes	1,903	16.4%					3,918		5,821	13.3%
Net income	\$ 9,715								\$37,838	
Diluted shares outstanding	44,801								44,801	
Diluted earnings per share	\$ 0.22								\$ 0.84	

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

Business Outlook	Three Months Ending April 4, 2020		
	GAAP Measure	Non-GAAP Adjustments	Non-GAAP Measure
Gross margin	59.50%	0.25%	59.75%
Operating expenses	\$127.0	\$29.5	\$97.5
Effective tax rate	0%	11.5%	11.5%
Diluted earnings (loss) per share - low	\$(0.03)	\$0.60	\$0.57
Diluted earnings per share - high	\$0.07	\$0.60	\$0.67

** 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: 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.