

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

	Three Months Ended		Nine Months Ended	
	October 3, 2020	September 28, 2019	October 3, 2020	September 28, 2019
Revenues	\$221,350	\$223,294	\$643,760	\$618,116
Cost of revenues	91,276	89,204	258,209	241,103
Gross profit	130,074	134,090	385,551	377,013
Operating expenses:				
Research and development	71,969	62,552	214,030	187,974
Selling, general and administrative	48,483	47,718	150,883	145,571
Operating expenses	120,452	110,270	364,913	333,545
Operating income	9,622	23,820	20,638	43,468
Other income (expense):				
Interest income and other, net	2,044	3,172	8,562	9,691
Interest expense	(8,604)	(5,126)	(25,923)	(15,128)
Income before income taxes	3,062	21,866	3,277	38,031
Provision (benefit) for income taxes	(100)	1,685	(306)	28,481
Net income	<u>\$ 3,162</u>	<u>\$ 20,181</u>	<u>\$ 3,583</u>	<u>\$ 9,550</u>
Earnings per share:				
Basic	\$ 0.07	\$ 0.47	\$ 0.08	\$ 0.22
Diluted	\$ 0.07	\$ 0.45	\$ 0.08	\$ 0.22
Weighted-average common shares outstanding:				
Basic	43,815	43,358	43,737	43,311
Diluted	44,328	44,634	44,254	44,120

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

	<u>October 3,</u> <u>2020</u>	<u>December 28,</u> <u>2019</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 230,358	\$ 227,146
Short-term investments	491,428	498,825
Accounts receivable, net	80,460	75,639
Inventories	66,159	73,057
Prepaid expenses and other current assets	69,244	69,192
Total current assets	<u>937,649</u>	<u>943,859</u>
Property and equipment, net	139,673	135,939
Goodwill	631,932	398,402
Other intangible assets, net	178,076	134,279
Other assets, net	55,745	62,374
Total assets	<u>\$1,943,075</u>	<u>\$1,674,853</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 46,228	\$ 38,899
Deferred revenue and returns liability	22,323	19,251
Other current liabilities	82,595	79,551
Total current liabilities	<u>151,146</u>	<u>137,701</u>
Convertible debt	561,678	368,257
Other non-current liabilities	60,200	53,844
Total liabilities	<u>773,024</u>	<u>559,802</u>
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; 43,827 and 43,496 shares issued and outstanding at October 3, 2020 and December 28, 2019, respectively	4	4
Additional paid-in capital	183,471	133,793
Retained earnings	984,716	980,608
Accumulated other comprehensive income	1,860	646
Total stockholders' equity	<u>1,170,051</u>	<u>1,115,051</u>
Total liabilities and stockholders' equity	<u>\$1,943,075</u>	<u>\$1,674,853</u>

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

	Nine Months Ended	
	October 3, 2020	September 28, 2019
Operating Activities		
Net income	\$ 3,583	\$ 9,550
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation of property and equipment	12,896	12,675
Amortization of other intangible assets and other assets	32,741	29,891
Amortization of debt discount and debt issuance costs	14,946	10,031
Loss on extinguishment of convertible debt	3,977	--
Stock-based compensation expense	44,329	40,042
Deferred income taxes	(7,382)	24,531
Changes in operating assets and liabilities:		
Accounts receivable	(2,902)	(2,975)
Inventories	11,283	3,512
Prepaid expenses and other assets	(6,162)	23,401
Accounts payable	6,103	6,419
Other current liabilities and income taxes	3,648	(15,602)
Deferred revenue and returns liability	2,643	(667)
Other non-current liabilities	7,260	(5,957)
Net cash provided by operating activities	<u>126,963</u>	<u>134,851</u>
Investing Activities		
Purchases of available-for-sale investments	(418,227)	(306,645)
Sales and maturities of available-for-sale investments	427,235	268,140
Purchases of property and equipment	(15,247)	(12,773)
Purchases of other assets	(1,280)	(7,132)
Acquisition of business, net of cash acquired	(316,809)	--
Net cash used in investing activities	<u>(324,328)</u>	<u>(58,410)</u>
Financing Activities		
Proceeds from issuance of debt	845,000	--
Payments on debt	(618,729)	(1,127)
Repurchases of common stock	(16,287)	(26,716)
Payment of taxes withheld for vested stock awards	(17,562)	(15,693)
Proceeds from the issuance of common stock	8,155	7,108
Net cash provided by (used in) financing activities	<u>200,577</u>	<u>(36,428)</u>
Increase in cash and cash equivalents	3,212	40,013
Cash and cash equivalents at beginning of period	227,146	197,043
Cash and cash equivalents at end of period	<u>\$230,358</u>	<u>\$237,056</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 October 3, 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	\$221,350									
Gross profit	130,074	58.8%	\$ 390	\$ --	\$1,233	\$ --	\$131,697	59.5%		
Research and development	71,969	32.5%	7,384	8,954	--	37	55,594	25.1%		
Selling, general and administrative	48,483	22.0%	6,785	2,894	--	153	38,651	17.5%		
Operating expenses	120,452	54.5%	14,169	11,848	--	190	94,245	42.6%		
Operating income	9,622	4.3%	14,559	11,848	1,233	190	37,452	16.9%		
Non-GAAP Earnings Per Share and Income Tax Rate	Three Months Ended October 3, 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 before income taxes	\$ 3,062		\$14,559	\$11,848	\$1,233	\$190	\$6,373	\$ --	\$37,265	
Provision (benefit) for income taxes	(100)	(3.3)%						4,853	4,753	12.8%
Net income	\$ 3,162								\$32,512	
Diluted shares outstanding	44,328								44,328	
Diluted earnings per share	\$ 0.07								\$ 0.73	

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

Business Outlook	Three Months Ending January 2, 2021		
	GAAP Measure	Non-GAAP Adjustments*	Non-GAAP Measure
Gross margin	59%	0%	59%
Operating expenses	\$123	\$28	\$95
Effective tax rate	0.0%	13.0%	13.0%
Diluted earnings per share - low	\$0.02	\$0.66	\$0.68
Diluted earnings per share - high	\$0.12	\$0.66	\$0.78

* Non-GAAP adjustments include the following estimates: stock compensation expense of \$16.0 million, intangible asset amortization of \$12.0 million, and interest expense adjustments of \$6.0 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, particularly with respect to China); 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.