

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 8-K

CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of report (Date of earliest event reported): **October 28, 2020**

SILICON LABORATORIES INC.

(Exact Name of Registrant as Specified in Charter)

Delaware
(State or Other Jurisdiction
of Incorporation)

000-29823
(Commission File Number)

74-2793174
(IRS Employer
Identification No.)

400 West Cesar Chavez, Austin, TX
(Address of Principal Executive Offices)

78701
(Zip Code)

Registrant's telephone number, including area code: **(512) 416-8500**

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$0.0001 par value	SLAB	The NASDAQ Stock Market LLC

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 or Rule 12b-2 of the Securities Exchange Act of 1934.

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Securities Exchange Act of 1934.

Item 2.02. Results of Operations and Financial Condition

On October 28, 2020, Silicon Laboratories Inc. (“Silicon Laboratories”) issued a press release describing its results of operations for its fiscal quarter ended October 3, 2020. A copy of the press release is attached as Exhibit 99 to this report.

Item 9.01. Financial Statements and Exhibits

(d) Exhibits.

99 Press Release of Silicon Laboratories Inc. dated October 28, 2020

104 Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

Use of Non-GAAP Financial Information

From time to time, Silicon Laboratories provides certain non-GAAP financial measures as additional information relating to its operating results. The non-GAAP financial measurements provided in the press release furnished herewith do not replace the presentation of Silicon Laboratories’ GAAP financial results. These additional measurements merely provide supplemental information to assist investors in analyzing Silicon Laboratories’ financial position and results of operations; however, these measures are not in accordance with, or an alternative to, GAAP and may be different from non-GAAP measures used by other companies.

Non-GAAP financial measures used by Silicon Laboratories include non-GAAP gross margin, non-GAAP research and development expense, non-GAAP selling, general and administrative expense, non-GAAP operating income, non-GAAP interest expense, non-GAAP tax expense, non-GAAP net income and non-GAAP diluted earnings per share. Silicon Laboratories has chosen to provide this information to investors because it believes that such supplemental information enables them to perform meaningful comparisons of past, present and future operating results, and as a means to highlight the results of core ongoing operations.

Non-GAAP financial measures are adjusted by the following items:

- *Stock compensation expense* – represents charges for employee stock awards issued under Silicon Laboratories’ stock-based compensation plans. Stock compensation expense is excluded from non-GAAP financial measures because it is a non-cash expense, and excluding such expense provides meaningful supplemental information regarding core ongoing operations.
 - *Intangible asset amortization* – primarily represents charges for the amortization of intangibles assets, such as core and developed technology, customer relationships and trademarks, acquired in connection with business combinations. Intangible asset amortization is excluded from non-GAAP financial measures because it is a non-cash expense, and excluding such expense provides meaningful supplemental information regarding core ongoing operations.
 - *Acquisition related items* – primarily including the following: charges for the fair value write-up associated with inventory acquired; adjustments to the fair value of acquisition-related contingent consideration; and acquisition-related costs of a business combination, such as costs for attorneys, investment bankers, accountants and other third party service providers. Acquisition related items are excluded from non-GAAP financial measures because excluding such amounts provides meaningful supplemental information regarding core ongoing operations.
 - *Restructuring Charges* – primarily include costs associated with certain employee terminations, asset impairments and fair value adjustments resulting from observable price changes. Termination costs and fair value adjustments are excluded from non-GAAP financial measures because excluding such amounts provides meaningful supplemental information regarding core ongoing operations.
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- *Interest expense adjustments* – represents charges for the amortization of the debt discount on Silicon Laboratories’ convertible senior notes, losses on the extinguishment of convertible debt and losses on the termination of interest rate swap agreements. Such amounts are excluded from non-GAAP financial measures because they are non-cash expenses and/or excluding such amounts provides meaningful supplemental information regarding core ongoing operations.
- *Income tax adjustments* – primarily include the following: the effect of the Tax Cuts & Jobs Act of 2017; the current and deferred income tax effects of the above non-GAAP adjustments; other indirect impacts of excluding stock-based compensation; and the income tax impact of certain intercompany license arrangements for technology acquired in business combinations. Income tax adjustments are excluded from non-GAAP financial measures because excluding such amounts provides meaningful supplemental information regarding core ongoing operations.

Pursuant to the requirements of Regulation G, we have provided in the press release furnished with this report a reconciliation of the non-GAAP financial measures to the most directly comparable GAAP financial measures.

The information in this report, including the exhibit hereto, shall not be deemed to be “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liability of that section. The information contained therein and in the accompanying exhibit shall not be incorporated by reference into any filing with the U.S. Securities and Exchange Commission made by Silicon Laboratories, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

EXHIBIT INDEX

Exhibit No.	Description
99	Press Release of Silicon Laboratories Inc. dated October 28, 2020
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

SILICON LABORATORIES INC.

October 28, 2020

/s/ John C. Hollister

Date

John C. Hollister
*Senior Vice President and
Chief Financial Officer
(Principal Financial Officer)*



Silicon Labs Announces Third Quarter 2020 Results

-- Strong Results Driven by Record IoT Revenue --

AUSTIN, Texas – October 28, 2020 – Silicon Labs (NASDAQ: SLAB), a leading provider of silicon, software and solutions for a smarter, more connected world, today reported financial results for its third quarter ended October 3, 2020. Revenue exceeded the top end of the guidance range at \$221.3 million, up from \$207.5 million in the second quarter. Third quarter GAAP and non-GAAP diluted earnings per share (EPS) were \$0.07 and \$0.73, respectively.

“Third quarter revenue exceeded the high end of our guidance range at \$221.3 million,” said Tyson Tuttle, CEO of Silicon Labs. “Revenue was considerably stronger than expected, with our IoT products leading the way with a record quarter. We see sustained acceleration towards a more connected world, which our products are well-suited to address.”

Third Quarter Financial Highlights

- IoT revenue grew to \$133.2 million, up 16% sequentially and 3% year-on-year.
- Infrastructure and Automotive revenue declined to \$88.2 million, down 5% sequentially and 6% year-on-year.

On a GAAP basis:

- GAAP gross margin was 58.8%.
- GAAP R&D expenses were \$72 million.
- GAAP SG&A expenses were \$48 million.
- GAAP operating income as a percentage of revenue was 4.3%.
- GAAP diluted earnings per share was \$0.07.

On a non-GAAP basis, excluding the impact of stock compensation, amortization of acquired intangible assets, restructuring charges, non-cash interest expense and other costs associated with convertible notes, and certain other items as set forth in the reconciliation tables below:

- Non-GAAP gross margin was 59.5%.
 - Non-GAAP R&D expenses were \$56 million.
 - Non-GAAP SG&A expenses were \$39 million.
 - Non-GAAP operating income as a percentage of revenue was 16.9%.
 - Non-GAAP diluted earnings per share were \$0.73.
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Product Results

- Expanded our Bluetooth[®] Low Energy portfolio this quarter with the launch of the BGM220S and BGM220P modules. At just 6x6 mm, the BGM220S is one of the world's smallest Bluetooth modules. It provides ultra-small size, low-cost, and long battery life to add turnkey Bluetooth connectivity to a variety of end products.
- Launched the Si54x/6x Ultra Series, a new family of small form-factor, high-performance crystal oscillators. The Si54x/6x Ultra Series delivers jitter performance as low as 80 femtoseconds for integer and fractional frequencies across the entire operating range, providing outstanding jitter margin for demanding applications including data center interconnect, optical transport, broadcast video and test/measurement.
- Introduced new Si823Hx/825xx isolated gate drivers offering a combination of faster and safer switching, low latency and high noise immunity capabilities that enable power converter designers to meet or exceed increasing energy efficiency standards and size constraints in a variety of applications including data center and industrial power supplies, micro inverters for solar power, and traction inverters for the electric vehicle market.

Business Highlights

- Announced collaboration with Amazon to support Sidewalk, a secure network created by neighbors who share a small portion of Wi-Fi bandwidth to help their devices work better at home and beyond the front door. Sidewalk is a free software application layer that works on top of our Wireless Gecko Series 2 products to support Sidewalk's sub-GHz and Bluetooth Low Energy protocols and permit IoT devices to securely connect to each other through the cloud.
 - Held our first-ever Works With smart home developer conference with leaders from the world's largest smart home ecosystem players including key executives from Google, Amazon, Ring, and Comcast. Our Works With conference provided an onramp enabling smart home developers to directly engage with the biggest, most popular smart home ecosystems through co-authored curriculum featuring 40 technical sessions, 12 hands-on workshops and six keynotes spanning 40 hours of high quality, high engagement content.
 - Debuted our new Secure Vault technology for Silicon Labs' multiprotocol Wireless Gecko Series 2 platform. Our products are the first with radios to earn ARM's PSA Level 2 security certification. We also received SmartCert security certification from the ioXt Alliance and were awarded a Gold medal in the 2020 LEAP Awards Connectivity category for best-in-class security.
 - Released Simplicity Studio 5, which is the latest version of our free to use, class-leading IoT developer environment. Simplicity Studio now offers universal access and an enhanced experience across a wide range of wireless protocols, all within a new, intuitive and responsive web-style user interface allowing customers to accelerate differentiation and time to market.
 - Announced our collaboration with STRATIS on their 3.0 Gateway which uses Silicon Labs' connectivity products to provide multiprotocol wireless capabilities connecting smart devices throughout apartment communities. This new industrial IoT application enables residents to use their smartphones as a credential to enter the apartment building and their fully equipped smart apartment unit. The system also allows property managers to control energy usage and smart technology in vacant units and monitor common areas.
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- Continued to focus on addressing health and safety during the ongoing pandemic by collaborating with our customers to expedite time-to-market of impactful products. For example, we worked with Maggy, a Belgium-based start-up, to use our BGM13S Bluetooth module to enable a new, compact social-distancing wearable that warns users when the distance between people becomes too small and could pose a risk of COVID-19 infection transfer.
- Promoted Serena Townsend to Silicon Labs' Chief People Officer to lead the company's global talent strategy, people programs, and values-driven, inclusive culture.

Business Outlook

The company expects fourth quarter revenue to be in the range of \$221 to \$231 million, with IoT and Infrastructure & Automotive up, and estimates the following:

On a GAAP basis:

- GAAP gross margin at approximately 59%.
- GAAP operating expenses at approximately \$123 million.
- GAAP effective tax rate of 0.0%.
- GAAP diluted earnings per share between \$0.02 and \$0.12.

On a non-GAAP basis, excluding the impact of stock compensation, amortization of acquired intangible assets, acquisition related charges, restructuring charges, non-cash interest expense and other costs associated with convertible notes, and certain other items as set forth in the reconciliation tables below:

- Non-GAAP gross margin at approximately 59%.
- Non-GAAP operating expenses at approximately \$95 million.
- Non-GAAP effective tax rate at 13.0%.
- Non-GAAP diluted earnings per share between \$0.68 and \$0.78.

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 on Silicon Labs' website (www.silabs.com) under Investor Relations. A replay will be available after the call at the same website listed above or by calling 1 (877) 344-7529 (US) or (412) 317-0088 (International) and entering access code 10145993. The replay will be available through November 28, 2020.

About Silicon Labs

Silicon Labs (NASDAQ: SLAB) is a leading provider of silicon, software and solutions for a smarter, more connected world. Our award-winning technologies are shaping the future of the Internet of Things, Internet infrastructure, industrial automation, consumer and automotive markets. Our world-class engineering team creates products focused on performance, energy savings, connectivity and simplicity. 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: the impact of COVID-19 on the U.S. and 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 or pandemics, 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 this press release to Silicon Labs shall mean Silicon Laboratories Inc.

Note to editors: Silicon Laboratories, Silicon Labs, the "S" symbol, and the Silicon Labs logo are trademarks of Silicon Laboratories Inc. All other product names noted herein may be trademarks of their respective holders.

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Silicon Laboratories Inc.

Condensed Consolidated Statements of Income

(In thousands, except per share data)

(Unaudited)

	<u>Three Months Ended</u>		<u>Nine Months Ended</u>	
	<u>October 3, 2020</u>	<u>September 28, 2019</u>	<u>October 3, 2020</u>	<u>September 28, 2019</u>
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

Unaudited Reconciliation of GAAP to Non-GAAP Financial Measures

(In thousands, except per share data)

<u>Non-GAAP Income Statement Items</u>	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 income	9,622	4.3%	14,559	11,848	1,233	190	37,452	16.9%

<u>Non-GAAP Earnings Per Share</u>	Three Months Ended October 3, 2020							
	GAAP Measure	Stock Compensation Expense*	Intangible Asset Amortization*	Acquisition Related Items*	Restructuring Charges*	Interest Expense Adjustments*	Income Tax Adjustments	Non- GAAP Measure
Net income	\$ 3,162	\$ 14,559	\$ 11,848	\$ 1,233	\$ 190	\$ 6,373	\$ (4,853)	\$ 32,512
Diluted shares outstanding	44,328							44,328
Diluted earnings per share	\$ 0.07							\$ 0.73

* Represents pre-tax amounts

Unaudited Forward-Looking Statements Regarding Business Outlook

(In millions, except per share data)

<u>Business Outlook</u>	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.

Silicon Laboratories Inc.

Condensed Consolidated Balance Sheets

(In thousands, except per share data)

(Unaudited)

	<u>October 3, 2020</u>	<u>December 28, 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	126,963	134,851
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	(324,328)	(58,410)
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	200,577	(36,428)
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	\$ 230,358	\$ 237,056