

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>January 2, 2021</u>	<u>December 28, 2019</u>	<u>January 2, 2021</u>	<u>December 28, 2019</u>
Revenues	\$242,917	\$219,438	\$886,677	\$837,554
Cost of revenues	100,942	86,167	359,151	327,270
Gross profit	141,975	133,271	527,526	510,284
Operating expenses:				
Research and development	73,857	69,176	287,887	257,150
Selling, general and administrative	50,456	50,866	201,339	196,437
Operating expenses	124,313	120,042	489,226	453,587
Operating income	17,662	13,229	38,300	56,697
Other income (expense):				
Interest income and other, net	2,581	3,494	11,143	13,185
Interest expense	(8,219)	(5,105)	(34,142)	(20,233)
Income before income taxes	12,024	11,618	15,301	49,649
Provision for income taxes	3,076	1,903	2,770	30,384
Net income	<u>\$ 8,948</u>	<u>\$ 9,715</u>	<u>\$ 12,531</u>	<u>\$ 19,265</u>
Earnings per share:				
Basic	\$ 0.20	\$ 0.22	\$ 0.29	\$ 0.44
Diluted	\$ 0.20	\$ 0.22	\$ 0.28	\$ 0.43
Weighted-average common shares outstanding:				
Basic	43,895	43,450	43,775	43,346
Diluted	44,729	44,801	44,372	44,290

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

	January 2, 2021	December 28, 2019
Assets		
Current assets:		
Cash and cash equivalents	\$ 202,720	\$ 227,146
Short-term investments	521,963	498,825
Accounts receivable, net	95,169	75,639
Inventories	66,662	73,057
Prepaid expenses and other current assets	89,307	69,192
Total current assets	975,821	943,859
Property and equipment, net	139,439	135,939
Goodwill	631,932	398,402
Other intangible assets, net	166,084	134,279
Other assets, net	80,211	62,374
Total assets	\$1,993,487	\$1,674,853
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 54,949	\$ 38,899
Current portion of convertible debt, net	134,480	--
Deferred revenue and returns liability	12,986	19,251
Other current liabilities	82,083	79,551
Total current liabilities	284,498	137,701
Convertible debt, net	428,945	368,257
Other non-current liabilities	80,203	53,844
Total liabilities	793,646	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; 43,925 and 43,496 shares issued and outstanding at January 2, 2021 and December 28, 2019, respectively	4	4
Additional paid-in capital	204,359	133,793
Retained earnings	993,664	980,608
Accumulated other comprehensive income	1,814	646
Total stockholders' equity	1,199,841	1,115,051
Total liabilities and stockholders' equity	\$1,993,487	\$1,674,853

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

	Year Ended	
	January 2, 2021	December 28, 2019
Operating Activities		
Net income	\$ 12,531	\$ 19,265
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation of property and equipment	17,780	16,883
Amortization of other intangible assets and other assets	44,733	39,584
Amortization of debt discount and debt issuance costs	21,433	13,485
Loss on extinguishment of convertible debt	4,060	--
Stock-based compensation expense	60,091	54,799
Deferred income taxes	(6,533)	23,048
Changes in operating assets and liabilities:		
Accounts receivable	(17,612)	(2,401)
Inventories	10,748	2,171
Prepaid expenses and other assets	(51,839)	8,965
Accounts payable	15,263	7,830
Other current liabilities and income taxes	3,257	(6,826)
Deferred revenue and returns liability	(6,694)	(3,243)
Other non-current liabilities	28,500	(7,038)
Net cash provided by operating activities	<u>135,718</u>	<u>166,522</u>
Investing Activities		
Purchases of available-for-sale investments	(519,567)	(424,524)
Sales and maturities of available-for-sale investments	497,357	344,937
Purchases of property and equipment	(20,422)	(16,279)
Purchases of other assets	(1,570)	(8,396)
Acquisitions of businesses, net of cash acquired	(316,809)	(2,510)
Net cash used in investing activities	<u>(361,011)</u>	<u>(106,772)</u>
Financing Activities		
Proceeds from issuance of debt	845,000	--
Payments on debt	(624,737)	(1,132)
Repurchases of common stock	(16,287)	(26,716)
Payment of taxes withheld for vested stock awards	(18,124)	(16,295)
Proceeds from the issuance of common stock	15,015	14,496
Net cash provided by (used in) financing activities	<u>200,867</u>	<u>(29,647)</u>
Increase (decrease) in cash and cash equivalents	(24,426)	30,103
Cash and cash equivalents at beginning of period	<u>227,146</u>	<u>197,043</u>
Cash and cash equivalents at end of period	<u><u>\$202,720</u></u>	<u><u>\$227,146</u></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 January 2, 2021					
	GAAP Measure	GAAP Percent of Revenue	Stock Compensation Expense	Intangible Asset Amortization	Non-GAAP Measure	Non-GAAP Percent of Revenue
Revenues	\$242,917					
Gross profit	141,975	58.4%	\$ 375	\$ --	\$142,350	58.6%
Research and development	73,857	30.4%	7,386	8,654	57,817	23.8%
Selling, general and administrative	50,456	20.7%	8,000	3,338	39,118	16.1%
Operating expenses	124,313	51.1%	15,386	11,992	96,935	39.9%
Operating income	17,662	7.3%	15,761	11,992	45,415	18.7%

Non-GAAP Earnings Per Share and Income Tax Rate	Three Months Ended January 2, 2021								
	GAAP Measure	GAAP Tax Percentage Rate	Stock Compensation Expense	Intangible Asset Amortization	Investment Fair Value Adjustments	Interest Expense Adjustments	Income Tax Adjustments	Non-GAAP Measure	Non-GAAP Tax Percentage Rate
Income before income taxes	\$12,024		\$15,761	\$11,992	\$(1,438)	\$6,039	\$ --	\$44,378	
Provision for income taxes	3,076	25.6%					3,685	6,761	15.2%
Net income	\$ 8,948							\$37,617	
Diluted shares outstanding	44,729							44,729	
Diluted earnings per share	\$ 0.20							\$ 0.84	

Non-GAAP Earnings Per Share	Year Ended January 2, 2021								
	GAAP Measure	Stock Compensation Expense*	Intangible Asset Amortization*	Acquisition Related Items*	Restructuring Charges*	Investment Fair Value Adjustments*	Interest Expense Adjustments*	Income Tax Adjustments	Non-GAAP Measure
Net income	\$12,531	\$60,091	\$44,733	\$6,061	\$4,269	\$(1,438)	\$24,350	\$(17,074)	\$133,523
Diluted shares outstanding	44,372								44,372
Diluted earnings per share	\$ 0.28								\$ 3.01

* Represents pre-tax amounts

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

Business Outlook	Three Months Ending April 3, 2021		
	GAAP Measure	Non-GAAP Adjustments*	Non-GAAP Measure
Gross margin	58.1%	0.1%	58.2%
Operating expenses	\$126	\$26	\$100
Effective tax rate	0.0%	13.0%	13.0%
Diluted earnings (loss) per share - low	\$0.05	\$0.65	\$0.70
Diluted earnings per share - high	\$0.15	\$0.65	\$0.80

* Non-GAAP adjustments include the following estimates: stock compensation expense of \$13.9 million, intangible asset amortization of \$11.7 million, interest expense adjustments of \$9.4 million and the 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 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.