



Silicon Labs Announces Fourth Quarter and Full Year 2015 Results

Earnings Exceed Guidance

AUSTIN, Texas--(BUSINESS WIRE)-- [Silicon Labs](#) (NASDAQ: SLAB), a leading provider of silicon, software and solutions for a smarter, more connected world, today reported financial results for its fourth quarter ended January 2, 2016. Revenue in the fourth quarter was at the high end of guidance at \$160.1 million, up from \$156.2 million in the third quarter. Fourth quarter non-GAAP earnings per share exceeded the high end of guidance at \$0.63.

Fourth Quarter Financial Highlights

- | IoT revenue exceeded expectations, increasing to \$67.2 million, or 2.8% sequentially
- | Infrastructure revenue declined slightly to \$30.6 million, or 1.5% sequentially
- | Broadcast revenue increased to \$39.7 million, or 8.7% sequentially
- | Access revenue declined to \$22.6 million, or 3.0% sequentially

On a GAAP basis:

- | Gross margin was 58.4 percent
- | R&D expenses were \$47.2 million
- | SG&A expenses were \$41.5 million
- | Operating income as a percentage of revenue was 3.0 percent
- | Diluted earnings per share were \$0.13

On a non-GAAP basis (results exclude the impact of stock compensation, amortization of acquired intangible assets and certain other items as set forth in the reconciliation tables below):

- | Gross margin was 59.0 percent
- | R&D expenses were \$36.4 million
- | SG&A expenses were \$31.4 million
- | Operating income as a percentage of revenue was 16.6 percent
- | Diluted earnings per share were \$0.63

Product Highlights

- | Announced broad support for ARM® mbed OS within the [EFM32™ Gecko MCU](#) portfolio, providing best-in-class energy efficiency and design simplicity for embedded developers.
- | Introduced next-generation [EFM32 Pearl and Jade Gecko MCU families](#), providing advancements in security and energy management technologies.
- | Announced the [EFM8™ Laser Bee](#) family, delivering the highest analog performance and peripheral integration in the 8-bit market.
- | Introduced turnkey [connected home reference designs](#) that reduce the complexity of linking devices such as lights, dimmer switches, and door or window contact sensors.
- | Released the industry's most cost-effective [reference design solution for voice-enabled ZigBee®](#) remote controls for home entertainment systems.

- | Announced the [TouchXpress™](#) family of fixed-function controllers, providing the fastest, easiest way to add low-power capacitive touch interfaces to embedded designs.
- | Introduced a free software tool that enables engineers to quickly and easily measure [PCI Express® clock jitter](#) to verify PCIe® specification compliance.
- | Launched the [Si86xxxT family](#) of multi-channel digital isolators, providing robust protection against lightning strikes and exceptional reliability for demanding industrial systems.

Business Highlights

- | Acquired [Telegesis](#), a leading supplier of wireless mesh networking modules based on Silicon Labs' market-leading ZigBee silicon and software.
- | Won the [Global Semiconductor Alliance's \(GSA\) Most Respected Public Semiconductor Company award](#) for companies achieving \$500 million to \$1 billion in annual sales.
- | Won a coveted [Elektra Award](#) in the Design Tools and Development Software category for the Simplicity Studio™ development platform.
- | Supplied enabling Thread technology for dozens of connected home products that debuted at the [2016 Consumer Electronics Show](#).

Business Outlook

The company expects revenue in the first quarter to be in the range of \$157 million to \$162 million. First quarter diluted earnings (loss) per share are expected to be between \$(0.08) and \$(0.02) on a GAAP basis and between \$0.42 and \$0.48 on a non-GAAP basis.

"Strong top line performance combined with favorable opex drove a solid beat in fourth quarter EPS," said Tyson Tuttle, CEO of Silicon Labs. "During 2015, we made significant progress in laying the foundation for our continued success as a leading supplier of silicon, software and solutions for a more connected world. Our strategic growth products, including IoT, Infrastructure and Broadcast automotive, all delivered record revenue in 2015."

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 under Investor Relations (www.silabs.com). A replay will be available after the call at the same website listed above or by calling 1 (855) 859-2056 or (404) 537-3406 (international) and entering conference ID 83469958. The replay will be available through March 3, 2016.

About Silicon Labs

Silicon Labs (NASDAQ: SLAB) is a leading provider of silicon, software and solutions for the Internet of Things, Infrastructure, industrial automation, consumer and automotive markets. We solve the electronics industry's toughest problems, providing customers with significant advantages in performance, energy savings, connectivity and design simplicity. Backed by our world-class engineering teams with strong software and mixed-signal design expertise, Silicon Labs empowers developers with the tools and technologies they need to advance quickly and easily from initial idea to final product. www.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: 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; dependence on a limited number of products and customers; intellectual property litigation risks; risks associated with acquisitions and divestitures; product liability risks; difficulties managing our distributors, manufacturers and subcontractors; 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 our 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; 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, the Silicon Laboratories logo, and EFM32, EFM8, Simplicity Studio and TouchXpress are trademarks of Silicon Laboratories Inc. All other product names noted herein may be trademarks of their respective holders.

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

| | Three Months Ended | | Year Ended | |
|---|--------------------|--------------------|--------------------|--------------------|
| | January 2, 2016 | January 3, 2015 | January 2, 2016 | January 3, 2015 |
| Revenues | \$ 160,071 | \$ 161,951 | \$ 644,826 | \$ 620,704 |
| Cost of revenues | 66,533 | 65,279 | 264,056 | 242,153 |
| Gross margin | 93,538 | 96,672 | 380,770 | 378,551 |
| Operating expenses: | | | | |
| Research and development | 47,245 | 46,139 | 188,050 | 172,985 |
| Selling, general and administrative | 41,497 | 39,527 | 160,486 | 154,145 |
| Operating expenses | 88,742 | 85,666 | 348,536 | 327,130 |
| Operating income | 4,796 | 11,006 | 32,234 | 51,421 |
| Other income (expense): | | | | |
| Interest income | 186 | 274 | 730 | 1,007 |
| Interest expense | (668) | (808) | (2,828) | (3,154) |
| Other income (expense), net | (91) | (337) | 127 | (234) |
| Income before income taxes | 4,223 | 10,135 | 30,263 | 49,040 |
| Provision (benefit) for income taxes | (1,435) | 111 | 677 | 11,019 |
| Net income | <u>\$ 5,658</u> | <u>\$ 10,024</u> | <u>\$ 29,586</u> | <u>\$ 38,021</u> |
| Earnings per share: | | | | |
| Basic | \$ 0.14 | \$ 0.24 | \$ 0.70 | \$ 0.88 |
| Diluted | \$ 0.13 | \$ 0.23 | \$ 0.69 | \$ 0.87 |
| Weighted-average common shares outstanding: | | | | |
| Basic | 41,670 | 42,279 | 42,309 | 42,970 |
| Diluted | 42,374 | 43,137 | 42,945 | 43,793 |

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, 2016 | | | | | | | |
|--|---------------------------------------|-----------------------|----------------------------------|-------------------------------------|---------------------------------|----------------------|-------------------------|--|
| | GAAP Measure | Percent of Revenue | Stock Compensation Expense | Intangible Asset Amortization | Acquisition Related Items | Termination Costs | Non- GAAP Measure | Non- GAAP Percent of Revenue |
| Revenues | \$ 160,071 | | | | | | | |

| | | | | | | | | |
|-------------------------------------|--------|-------|--------|--------|--------|-------|-----------|-------|
| Gross margin | 93,538 | 58.4% | \$ 251 | \$ 390 | \$ 201 | \$ -- | \$ 94,380 | 59.0% |
| Research and development | 47,245 | 29.5% | 5,073 | 5,441 | -- | 336 | 36,395 | 22.7% |
| Selling, general and administrative | 41,497 | 25.9% | 6,669 | 1,286 | 1,752 | 380 | 31,410 | 19.7% |
| Operating income | 4,796 | 3.0% | 11,993 | 7,117 | 1,953 | 716 | 26,575 | 16.6% |

Non-GAAP Earnings Per Share

**Three Months Ended
January 2, 2016**

| | Stock | | Intangible | Acquisition | | Income Tax Adjustments | Non-GAAP Measure |
|----------------------------|--------------|-----------------------|---------------------|----------------|--------------------|------------------------|------------------|
| | GAAP Measure | Compensation Expense* | Asset Amortization* | Related Items* | Termination Costs* | | |
| Net income | \$ 5,658 | \$ 11,993 | \$ 7,117 | \$ 1,953 | \$ 716 | \$ (889) | \$ 26,548 |
| Diluted shares outstanding | 42,374 | | | | | | 42,374 |
| Diluted earnings per share | \$ 0.13 | | | | | | \$ 0.63 |

* Represents pre-tax amounts

Unaudited Forward-Looking Statements Regarding Business Outlook

| Business Outlook | Three Months Ending April 2, 2016 | |
|--|--------------------------------------|-----------|
| | High | Low |
| Estimated GAAP diluted earnings (loss) per share | \$ (0.02) | \$ (0.08) |
| Estimated non-GAAP charges | 0.50 | 0.50 |
| Estimated non-GAAP diluted earnings per share | \$ 0.48 | \$ 0.42 |

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

| | January 2, 2016 | January 3, 2015 |
|---------------------------|--------------------|--------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 114,085 | \$ 141,706 |
| Short-term investments | 128,901 | 193,489 |

| | | |
|---|--------------------|--------------------|
| Accounts receivable, net of allowances for doubtful accounts of \$671 at January 2, 2016 and \$786 at January 3, 2015 | 73,601 | 70,367 |
| Inventories | 53,895 | 52,631 |
| Deferred income taxes | -- | 21,173 |
| Prepaid expenses and other current assets | 52,658 | 49,171 |
| Total current assets | 423,140 | 528,537 |
| Long-term investments | 7,126 | 7,419 |
| Property and equipment, net | 131,132 | 132,820 |
| Goodwill | 272,722 | 228,781 |
| Other intangible assets, net | 121,354 | 115,021 |
| Other assets, net | 55,989 | 29,983 |
| Total assets | <u>\$1,011,463</u> | <u>\$1,042,561</u> |

Liabilities and Stockholders' Equity

| | | |
|--|--------------------|--------------------|
| Current liabilities: | | |
| Accounts payable | \$ 42,127 | \$ 38,922 |
| Current portion of long-term debt | 10,000 | 10,000 |
| Accrued expenses | 52,131 | 73,646 |
| Deferred income on shipments to distributors | 35,448 | 38,662 |
| Income taxes | 2,615 | 2,084 |
| Total current liabilities | 142,321 | 163,314 |
| Long-term debt | 67,500 | 77,500 |
| Other non-current liabilities | 40,528 | 43,691 |
| Total liabilities | 250,349 | 284,505 |
| Commitments and contingencies | | |
| Stockholders' equity: | | |
| Preferred stock - \$0.0001 par value; 10,000 shares authorized; no shares issued and outstanding | -- | -- |
| Common stock - \$0.0001 par value; 250,000 shares authorized; 41,727 and 42,225 shares issued and outstanding at January 2, 2016 and January 3, 2015, respectively | 4 | 4 |
| Additional paid-in capital | 13,868 | 29,501 |
| Retained earnings | 747,749 | 728,633 |
| Accumulated other comprehensive loss | (507) | (82) |
| Total stockholders' equity | 761,114 | 758,056 |
| Total liabilities and stockholders' equity | <u>\$1,011,463</u> | <u>\$1,042,561</u> |

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

| | Year Ended | |
|---|--------------------|--------------------|
| | January 2, 2016 | January 3, 2015 |
| Operating Activities | | |
| Net income | \$ 29,586 | \$ 38,021 |
| Adjustments to reconcile net income to cash provided by operating activities: | | |
| Depreciation of property and equipment | 12,517 | 12,561 |
| Amortization of other intangible assets and other assets | 29,131 | 17,923 |
| Stock-based compensation expense | 42,791 | 39,067 |
| Income tax benefit (shortfall) from stock-based awards | 469 | 489 |
| Excess income tax benefit from stock-based awards | (2,497) | (632) |
| Deferred income taxes | (2,136) | 3,054 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | 1,702 | 1,757 |
| Inventories | 2,093 | (7,170) |
| Prepaid expenses and other assets | (870) | 9,332 |

| | | |
|---|------------|------------|
| Accounts payable | 6,662 | 11,475 |
| Accrued expenses | 1,682 | 27,671 |
| Deferred income on shipments to distributors | (5,298) | 7,809 |
| Income taxes | 776 | (3,371) |
| Other non-current liabilities | (11,161) | (20,543) |
| Net cash provided by operating activities | 105,447 | 137,443 |
| Investing Activities | | |
| Purchases of available-for-sale investments | (107,366) | (166,094) |
| Proceeds from sales and maturities of available-for-sale investments | 171,831 | 156,520 |
| Purchases of property and equipment | (11,268) | (11,225) |
| Purchases of other assets | (6,399) | (5,514) |
| Acquisitions of businesses, net of cash acquired | (96,112) | -- |
| Net cash used in investing activities | (49,314) | (26,313) |
| Financing Activities | | |
| Proceeds from issuance of common stock, net of cash paid for withheld taxes | 3,129 | 13,320 |
| Excess income tax benefit from stock-based awards | 2,497 | 632 |
| Repurchases of common stock | (71,448) | (71,676) |
| Payment of acquisition-related contingent consideration | (4,464) | -- |
| Proceeds from issuance of long-term debt, net | 81,238 | -- |
| Payments on debt | (94,706) | (7,500) |
| Net cash used in financing activities | (83,754) | (65,224) |
| Increase (decrease) in cash and cash equivalents | (27,621) | 45,906 |
| Cash and cash equivalents at beginning of period | 141,706 | 95,800 |
| Cash and cash equivalents at end of period | \$ 114,085 | \$ 141,706 |

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