



## Silicon Labs Announces Second Quarter 2018 Results

July 25, 2018 11:00 AM EDT

### -- Delivers Record Revenue in IoT and Infrastructure --

AUSTIN, Texas, July 25, 2018 /PRNewswire/ -- [Silicon Labs](#) (NASDAQ: SLAB), a leading provider of silicon, software and solutions for a smarter, more connected world, today reported financial results for its second quarter ended June 30, 2018. Revenue in the second quarter established a new, all-time record, achieving the high end of guidance at \$217 million, up from \$205 million in the first quarter. Second quarter GAAP and non-GAAP diluted earnings per share (EPS) were \$0.32 and \$0.92, respectively.



"We continue to focus on long-term, high-quality, strategic growth vectors, including IoT, green energy and data communications," said Tyson Tuttle, CEO of Silicon Labs. "The insatiable demand for data will persist, the electrification of the world will accelerate, and the value in connecting 'things' will increase exponentially. The diversity of our business supports strong fundamentals and is driving greater consistency in our results. We are very pleased with what we have accomplished, and even more excited about what lies ahead."

#### Second Quarter Financial Highlights

- IoT revenue increased to \$116 million, up 13% sequentially and 19% year-on-year.
- Infrastructure revenue increased to \$52 million, up 4% sequentially and 35% year-on-year.
- Broadcast revenue declined to \$34 million, down 5% sequentially and 7% year-on-year.
- Access revenue declined to \$15 million, down 8% sequentially and 12% year-on-year.

On a GAAP basis:

- GAAP gross margin was 60.5%.
- GAAP R&D expenses were \$59 million.
- GAAP SG&A expenses were \$54 million.
- GAAP operating income as a percentage of revenue was 8.3%.
- GAAP diluted earnings per share were \$0.32.

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

- Non-GAAP gross margin was 61.6%.
- Non-GAAP R&D expenses were \$47 million.
- Non-GAAP SG&A expenses were \$41 million.
- Non-GAAP operating income as a percentage of revenue was 21.2%.
- Non-GAAP diluted earnings per share were \$0.92.

#### Product Highlights

- Released new software for the Wireless Gecko portfolio enabling dynamic switching between sub-GHz networks and Bluetooth Low Energy on a single chip.
- Expanded Silicon Labs' portfolio of clock generators, jitter attenuators and crystal oscillators to meet the high-performance timing requirements of 56G SerDes and emerging 112G serial applications.

#### Business Highlights

- Completed the asset purchase of Sigma Designs' Z-Wave business for \$243 million on April

- 18, 2018, expanding Silicon Labs' leading position in mesh networking for the smart home.
- Appointed Daniel Cooley as Senior Vice President and Chief Strategy Officer, focusing on Silicon Labs' overall growth and M&A strategy, business development, new technologies and emerging markets.
  - Added Matt Johnson as Senior Vice President and General Manager of IoT Products, leading the development and market success of the company's broad portfolio of wireless products, microcontrollers, sensors, development tools and software.

#### **Business Outlook**

The company expects revenue in the third quarter to be in the range of \$224 to \$230 million, and estimates the following:

On a GAAP basis:

- GAAP gross margin at approximately 58.5%.
- GAAP operating expenses at approximately \$111.0 million.
- GAAP effective tax rate at 0.0%.
- GAAP diluted earnings per share between \$0.40 and \$0.46.

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

- Non-GAAP gross margin at approximately 60.0%.
- Non-GAAP operating expenses between \$87.0 and \$88.0 million.
- Non-GAAP effective tax rate at 11.0%.
- Non-GAAP diluted earnings per share between \$0.95 and \$1.01.

#### **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](http://www.silabs.com)) under [Investor Relations](#). 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 88340292. The replay will be available through August 22, 2018.

#### **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. [www.silabs.com](http://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; cyber-attacks against our products and our 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.*

CONTACT: Jalene Hoover, +1 (512) 428-1610, [Jalene.Hoover@silabs.com](mailto:Jalene.Hoover@silabs.com)

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**Condensed Consolidated Statements of Income**

**(In thousands, except per share data)**

**(Unaudited)**

|   | Three Months Ended |                 | Six Months Ended |                 |
|---|--------------------|-----------------|------------------|-----------------|
|   | June 30,<br>2018   | July 1,<br>2017 | June 30,<br>2018 | July 1,<br>2017 |
| Revenues                                    | \$217,106          | \$190,098       | \$422,490        | \$369,126       |
| Cost of revenues                            | 85,814             | 76,906          | 166,961          | 150,773         |
| Gross margin                                | 131,292            | 113,192         | 255,529          | 218,353         |
| Operating expenses:                         |                    |                 |                  |                 |
| Research and development                    | 59,495             | 52,432          | 114,323          | 104,756         |
| Selling, general and administrative         | 53,796             | 39,826          | 99,490           | 79,981          |
| Operating expenses                          | 113,291            | 92,258          | 213,813          | 184,737         |
| Operating income                            | 18,001             | 20,934          | 41,716           | 33,616          |
| Other income (expense):                     |                    |                 |                  |                 |
| Interest income and other, net              | 1,609              | 1,595           | 4,811            | 2,171           |
| Interest expense                            | (4,888)            | (4,699)         | (9,771)          | (4,501)         |
| Income before income taxes                  | 14,722             | 17,830          | 36,756           | 31,286          |
| Provision (benefit) for income taxes        | 442                | 1,261           | (3,929)          | (709)           |
| Net income                                  | \$ 14,280          | \$ 16,569       | \$ 40,685        | \$ 31,995       |
| Earnings per share:                         |                    |                 |                  |                 |
| Basic                                       | \$ 0.33            | \$ 0.39         | \$ 0.94          | \$ 0.76         |
| Diluted                                     | \$ 0.32            | \$ 0.38         | \$ 0.92          | \$ 0.74         |
| Weighted-average common shares outstanding: |                    |                 |                  |                 |
| Basic                                       | 43,312             | 42,478          | 43,138           | 42,287          |
| Diluted                                     | 44,294             | 43,178          | 44,106           | 43,104          |

**Unaudited Reconciliation of GAAP to Non-GAAP Financial Measures****(In thousands, except per share data)**

**Non-GAAP Income**      **Three Months Ended**  
**Statement Items**      **June 30, 2018**

|                                     | <b>GAAP Measure</b> | <b>GAAP Percent of Revenue</b> | <b>Stock Compensation Expense</b> | <b>Intangible Asset Amortization</b> | <b>Acquisition Related Items</b> | <b>Non-GAAP Measure</b> | <b>Non-GAAP Percent of Revenue</b> |
|-------------------------------------|---------------------|--------------------------------|-----------------------------------|--------------------------------------|----------------------------------|-------------------------|------------------------------------|
| Revenues                            | \$217,106           |                                |                                   |                                      |                                  |                         |                                    |
| Gross margin                        | 131,292             | 60.5%                          | \$ 294                            | \$ --                                | \$2,148                          | \$133,734               | 61.6%                              |
| Research and development            | 59,495              | 27.4%                          | 5,669                             | 6,940                                | --                               | 46,886                  | 21.6%                              |
| Selling, general and administrative | 53,796              | 24.8%                          | 6,156                             | 2,726                                | 4,163                            | 40,751                  | 18.8%                              |
| Operating income                    | 18,001              | 8.3%                           | 12,119                            | 9,666                                | 6,311                            | 46,097                  | 21.2%                              |

**Non-GAAP Earnings Per Share** **Three Months Ended June 30, 2018**

|                            | <b>GAAP Measure</b> | <b>Stock Compensation Expense*</b> | <b>Intangible Asset Amortization*</b> | <b>Acquisition Related Items*</b> | <b>Non-cash Interest Expense*</b> | <b>Income Tax Adjustments</b> | <b>Non-GAAP Measure</b> |
|----------------------------|---------------------|------------------------------------|---------------------------------------|-----------------------------------|-----------------------------------|-------------------------------|-------------------------|
| Net income                 | \$14,280            | \$12,119                           | \$9,666                               | \$6,311                           | \$2,767                           | \$(4,559)                     | \$40,584                |
| Diluted shares outstanding | 44,294              |                                    |                                       |                                   |                                   |                               | 44,294                  |
| Diluted earnings per share | \$ 0.32             |                                    |                                       |                                   |                                   |                               | \$ 0.92                 |

\* Represents pre-tax amounts

**Unaudited Forward-Looking Statements Regarding Business Outlook**

(In millions, except per share data)

| <b>Business Outlook</b> | <b>Three Months Ending September 29, 2018</b> |                             |                         |
|-------------------------|---|-----------------------------|-------------------------|
|                         | <b>GAAP Measure</b>                           | <b>Non-GAAP Adjustments</b> | <b>Non-GAAP Measure</b> |
| Gross margin            | 58.5%   | 1.5%                        | 60.0%                   |
| Operating expenses      | \$111   | \$23-\$24                   | \$87-\$88               |
| Effective tax rate      | 0.0%*   | 11.0%*                      | 11.0%                   |

|                                  |         |         |        |
|----------------------------------|---------|---------|--------|
| Diluted earnings per share - low | \$0.40* | \$0.55* | \$0.95 |
|----------------------------------|---------|---------|--------|

|                                   |         |         |        |
|-----------------------------------|---------|---------|--------|
| Diluted earnings per share - high | \$0.46* | \$0.55* | \$1.01 |
|-----------------------------------|---------|---------|--------|

\* Does not reflect any potential impact resulting from the U.S. Court of Appeals for the Ninth Circuit's decision on July 24, 2018 on the Altera Tax Court case involving the treatment of stock-based compensation in an intercompany cost-sharing arrangement. The Company is currently evaluating the impact of this decision and such impact could be material to its financial statements.

## Silicon Laboratories Inc.

### Condensed Consolidated Balance Sheets

(In thousands, except per share data)

(Unaudited)

|   | June 30,<br>2018 | December 30,<br>2017 |
|---|------------------|----------------------|
| <b>Assets</b>                             |                  |                      |
| Current assets:                           |                  |                      |
| Cash and cash equivalents                 | \$ 194,864       | \$ 269,366           |
| Short-term investments                    | 347,416          | 494,657              |
| Accounts receivable, net                  | 93,830           | 71,367               |
| Inventories                               | 87,163           | 73,132               |
| Prepaid expenses and other current assets | 52,642           | 39,120               |
| Total current assets                      | 775,915          | 947,642              |
| Property and equipment, net               | 132,021          | 127,682              |
| Goodwill                                  | 396,689          | 288,227              |
| Other intangible assets, net              | 192,601          | 83,144               |
| Other assets, net                         | 95,385           | 88,387               |
| Total assets                              | \$1,592,611      | \$1,535,082          |

### Liabilities and Stockholders' Equity

Current liabilities:

|  |           |           |
|--|-----------|-----------|
| Accounts payable                       | \$ 40,323 | \$ 38,851 |
| Deferred revenue and returns liability | 24,503    | --        |

|  |             |             |
|--|-------------|-------------|
| Deferred income on shipments to distributors   | --          | 50,115      |
| Other current liabilities  | 74,254      | 73,359      |
| Total current liabilities  | 139,080     | 162,325     |
| Convertible debt   | 348,233     | 341,879     |
| Other non-current liabilities  | 76,830      | 77,862      |
| Total liabilities  | 564,143     | 582,066     |
| 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; 43,350 and 42,707 shares issued and outstanding at June 30, 2018 and December 30, 2017, respectively | 4           | 4           |
| Additional paid-in capital   | 111,984     | 102,862     |
| Retained earnings  | 918,440     | 851,307     |
| Accumulated other comprehensive loss   | (1,960)     | (1,157)     |
| Total stockholders' equity   | 1,028,468   | 953,016     |
| Total liabilities and stockholders' equity   | \$1,592,611 | \$1,535,082 |

**Silicon Laboratories Inc.**

**Condensed Consolidated Statements of Cash Flows**

**(In thousands)**

**(Unaudited)**

**Six Months Ended**

**June 30, July 1,  
2018 2017**

**Operating Activities**

|   |           |           |
|---|-----------|-----------|
| Net income  | \$ 40,685 | \$ 31,995 |
| Adjustments to reconcile net income to cash provided by operating activities: |           |           |
| Depreciation of property and equipment  | 7,643     | 7,308     |
| Amortization of other intangible assets and other assets                      | 18,366    | 13,571    |

|   |           |           |
|---|-----------|-----------|
| Amortization of debt discount and debt issuance costs   | 6,354     | 3,907     |
| Stock-based compensation expense                        | 24,311    | 21,652    |
| Deferred income taxes                                   | (5,830)   | (6,242)   |
| Changes in operating assets and liabilities:            |           |           |
| Accounts receivable                                     | (16,705)  | (887)     |
| Inventories   | (565)     | (7,737)   |
| Prepaid expenses and other assets                       | (1,759)   | 12,539    |
| Accounts payable  | 2,980     | 2,363     |
| Other current liabilities and income taxes              | (17,249)  | 14        |
| Deferred income, deferred revenue and returns liability | (4,193)   | 3,251     |
| Other non-current liabilities                           | (3,260)   | (1,169)   |
| Net cash provided by operating activities               | 50,778    | 80,565    |
| <b>Investing Activities</b>                             |           |           |
| Purchases of available-for-sale investments             | (148,437) | (389,234) |
| Sales and maturities of available-for-sale investments  | 295,405   | 92,307    |
| Purchases of property and equipment                     | (11,406)  | (8,390)   |
| Purchases of other assets                               | (5,893)   | (1,784)   |
| Acquisition of business, net of cash acquired           | (239,729) | (13,658)  |
| Net cash used in investing activities                   | (110,060) | (320,759) |
| <b>Financing Activities</b>                             |           |           |
| Proceeds from issuance of long-term debt, net           | --        | 389,468   |
| Payments on debt  | --        | (72,500)  |
| Repurchases of common stock                             | (3,397)   | --        |
| Payment of taxes withheld for vested stock awards       | (18,408)  | (14,101)  |
| Proceeds from the issuance of common stock              | 6,585     | 6,836     |
| Net cash provided by (used in) financing activities     | (15,220)  | 309,703   |
| Increase (decrease) in cash and cash equivalents        | (74,502)  | 69,509    |
| Cash and cash equivalents at beginning of period        | 269,366   | 141,106   |

Cash and cash equivalents at end of period

\$194,864 \$210,615

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