



## Silicon Laboratories Reports Fourth Quarter and Year End Results

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*Company Delivers Record Revenue for 2010*

AUSTIN, Texas--(BUSINESS WIRE)-- Silicon Laboratories Inc. (Nasdaq: SLAB), a leader in high-performance, analog-intensive, mixed-signal integrated circuits (ICs), today reported revenue of \$112 million for the fourth quarter and record revenue for the full year of \$493 million.

### 2010 Highlights

- Year over year growth was driven by record revenue for the company's broad-based products, which grew by nearly 50 percent over 2009 and represented 35 percent of total revenue for the year.
- A sustained focus on R&D resulted in 17 new product family introductions during the year spanning MCUs, Embedded Wireless, Isolation, Human Interface, Timing, Video, AM/FM Radio and Power over Ethernet.
- The company achieved a record number of design wins, broadened its sales channel and expanded its design team, all strong building blocks for future growth.
- Gross margin on both a GAAP and non-GAAP basis was at record levels for the year resulting from cost improvements and mix shifts to broad-based products.
- The company delivered 18 percent GAAP operating income and 26 percent non-GAAP operating income for the year.
- Cash generation continued to be very strong, enabling \$140 million in share repurchases, two strategic technology acquisitions and a year-end cash, cash equivalents and investments balance of \$383 million.

### Fourth Quarter Highlights

Fourth quarter revenue of \$112 million exceeded guidance and represented a seven percent sequential decrease. The better than anticipated result for the quarter was due to stronger than anticipated demand for the company's broad-based products and the early stages of the company's ramp into iDTVs with its silicon TV tuner.

Fourth quarter GAAP gross margin was 63.5 percent. R&D investment increased to \$32.6 million while SG&A decreased again to \$27.5 million. Fully diluted GAAP earnings per share were \$0.28 for the quarter.

The following non-GAAP results exclude the impact of stock compensation expense. Non-GAAP gross margin was 63.9 percent for the quarter. R&D investment increased sequentially to \$28.5 million. SG&A expense declined to \$22.8 million. Fully diluted non-GAAP earnings per share were \$0.46. The reconciling charges are set forth in the financial measures table included below.

### 2011 Business Outlook

The company anticipates 2011 will be another growth year, with strong contributions from both the broadcast and broad-based businesses. Specifically, the company expects its video business to ramp and triple in size, while the timing business is expected to deliver high double-digit growth again in 2011. Both product lines are benefiting from new product ramps and an expanding footprint enabling strong market share gains.

"We believe the investments we've been making in our business over the last couple of years will begin delivering a strong return in 2011," said Necip Sayiner, president and CEO of Silicon Laboratories. "Organic new product developments complemented by strategic acquisitions like the SpectraLinear deal we announced today, have given us a platform for continually expanding our share of the market. We expect to benefit from such product cycles and are therefore anticipating a revenue increase of approximately four to nine percent in the first quarter."

The company guided revenue for the first quarter in the range of \$116 to \$122 million.

### Webcast and Conference Call

A conference call discussing the quarterly results and the acquisition of SpectraLinear, also announced today, will follow this press release at 7:30 a.m. central time. An audio webcast will be available simultaneously on Silicon Laboratories' website under Investor Relations ([www.silabs.com](http://www.silabs.com)). A replay will be available after the call at the same website listed above or by calling 1 (800) 642-1687 or +1 (706) 645-9291 (international) and by entering 38360353. The replay will be available through February 9, 2011.

### About Silicon Laboratories Inc.

Silicon Laboratories Inc. is a leading designer of high-performance, analog-intensive, mixed-signal integrated circuits (ICs) for a broad range of applications. Silicon Laboratories' diverse portfolio of highly integrated, patented solutions is developed by a world-class engineering team with expertise in cutting-edge mixed-signal design. The company has design, engineering, marketing, sales and applications offices throughout North

America, Europe and Asia. For more information about Silicon Laboratories, please visit [www.silabs.com](http://www.silabs.com).

## Forward-Looking Statements

This press release contains forward-looking statements based on Silicon Laboratories' current expectations. The words "believe," "estimate," "expect," "intend," "anticipate," "plan," "project," "will" and similar phrases as they relate to Silicon Laboratories are intended to identify such forward-looking statements. These forward-looking statements reflect the current views and assumptions of Silicon Laboratories 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 Laboratories may not be able to maintain its historical growth; quarterly fluctuations in revenues and operating results; volatile stock price; average selling prices of products may decrease significantly and rapidly; difficulties developing new products that achieve market acceptance; dependence on a limited number of products and customers; intellectual property litigation risks; inventory-related risks; risks associated with acquisitions; difficulties managing international activities; difficulties managing our manufacturers and subcontractors; risks that Silicon Laboratories may not be able to manage strains associated with its growth; credit risks associated with our accounts receivable; dependence on key personnel; risks associated with divestitures; geographic concentration of manufacturers, assemblers, test service providers and customers in Asia that subjects Silicon Laboratories' business and results of operations to risks of natural disasters, epidemics, war and political unrest; the competitive and cyclical nature of the semiconductor industry and other factors that are detailed in Silicon Laboratories' filings with the SEC. Silicon Laboratories disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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## Silicon Laboratories Inc.

### Condensed Consolidated Statements of Income

(In thousands, except per share data)

(Unaudited)

|   | Three Months Ended |            | Year Ended |            |
|---|--------------------|------------|------------|------------|
|   | January 1,         | January 2, | January 1, | January 2, |
|   | 2011               | 2010       | 2011       | 2010       |
| Revenues                                    | \$ 111,891         | \$ 127,190 | \$ 493,341 | \$ 441,020 |
| Cost of revenues                            | 40,800             | 43,930     | 169,097    | 161,267    |
| Gross margin                                | 71,091             | 83,260     | 324,244    | 279,753    |
| Operating expenses:                         |                    |            |            |            |
| Research and development                    | 32,621             | 26,553     | 123,821    | 104,394    |
| Selling, general and administrative         | 27,456             | 30,629     | 113,752    | 108,848    |
| Operating expenses                          | 60,077             | 57,182     | 237,573    | 213,242    |
| Operating income                            | 11,014             | 26,078     | 86,671     | 66,511     |
| Other income (expense):                     |                    |            |            |            |
| Interest income                             | 479                | 640        | 2,318      | 2,725      |
| Interest expense                            | (11 )              | (25 )      | (77 )      | (180 )     |
| Other income (expense), net                 | 24                 | (388 )     | (1,253 )   | (90 )      |
| Income before income taxes                  | 11,506             | 26,305     | 87,659     | 68,966     |
| Provision (benefit) for income taxes        | (1,377 )           | (13,946 )  | 14,417     | (4,126 )   |
| Net income                                  | \$ 12,883          | \$ 40,251  | \$ 73,242  | \$ 73,092  |
| Earnings per share:                         |                    |            |            |            |
| Basic                                       | \$ 0.29            | \$ 0.88    | \$ 1.63    | \$ 1.62    |
| Diluted                                     | \$ 0.28            | \$ 0.84    | \$ 1.57    | \$ 1.57    |
| Weighted-average common shares outstanding: |                    |            |            |            |
| Basic                                       | 43,834             | 45,650     | 44,845     | 45,023     |
| Diluted                                     | 45,658             | 47,786     | 46,742     | 46,542     |

### Unaudited Reconciliation of GAAP to Non-GAAP Financial Measures

(In thousands, except per share data)

|                                 | Three Months Ended |
|---------------------------------|--------------------|
| Non-GAAP Income Statement Items | January 1, 2011    |

|                                     | GAAP Measure | GAAP Percent of Revenue |   | Stock Compensation Expense | Non-GAAP Measure | Non-GAAP Percent of Revenue |   |
|-------------------------------------|--------------|-------------------------|---|----------------------------|------------------|-----------------------------|---|
| Revenues                            | \$ 111,891   |                         |   |                            |                  |                             |   |
| Gross margin                        | 71,091       | 63.5                    | % | \$ 361                     | \$ 71,452        | 63.9                        | % |
| Research and development            | 32,621       | 29.2                    | % | 4,095                      | 28,526           | 25.5                        | % |
| Selling, general and administrative | 27,456       | 24.5                    | % | 4,607                      | 22,849           | 20.4                        | % |
| Operating expenses                  | 60,077       | 53.7                    | % | 8,702                      | 51,375           | 45.9                        | % |
| Operating income                    | 11,014       | 9.8                     | % | 9,063                      | 20,077           | 17.9                        | % |

#### Three Months Ended

#### Non-GAAP Diluted Earnings Per Share

January 1, 2011

|                            | GAAP Measure | Stock Compensation Expense | Non-GAAP Measure |
|----------------------------|--------------|----------------------------|------------------|
| Net income                 | \$ 12,883    | \$ 7,929                   | \$ 20,812        |
| Diluted shares outstanding | 45,658       | --                         | 45,658           |
| Diluted earnings per share | \$ 0.28      |                            | \$ 0.46          |

#### Year Ended

#### Non-GAAP Income Statement Items

January 1, 2011

|                  | GAAP Measure | GAAP Percent of Revenue |   | Stock Compensation Expense | Non-GAAP Measure | Non-GAAP Percent of Revenue |   |
|------------------|--------------|-------------------------|---|----------------------------|------------------|-----------------------------|---|
| Revenues         | \$ 493,341   |                         |   |                            |                  |                             |   |
| Gross margin     | 324,244      | 65.7                    | % | \$ 1,435                   | \$ 325,679       | 66.0                        | % |
| Operating income | 86,671       | 17.6                    | % | 40,324                     | 126,995          | 25.7                        | % |

#### Silicon Laboratories Inc.

#### Condensed Consolidated Balance Sheets

(In thousands, except per share data)

(Unaudited)

|  | January 1, 2011 | January 2, 2010 |
|--|-----------------|-----------------|
| <b>Assets</b>  |                 |                 |
| Current assets:  |                 |                 |
| Cash and cash equivalents  | \$ 138,567      | \$ 195,737      |
| Short-term investments   | 227,295         | 214,486         |
| Accounts receivable, net of allowance for doubtful accounts of \$772 at January 1, 2011 and \$567 at January 2, 2010 | 45,030          | 56,128          |
| Inventories  | 39,450          | 31,512          |
| Deferred income taxes  | 9,140           | 7,620           |
| Prepaid expenses and other current assets  | 34,447          | 18,515          |
| Total current assets   | 493,929         | 523,998         |

|                              |            |            |
|------------------------------|------------|------------|
| Long-term investments        | 17,500     | 24,676     |
| Property and equipment, net  | 29,945     | 27,785     |
| Goodwill                     | 112,296    | 105,109    |
| Other intangible assets, net | 53,242     | 41,886     |
| Other assets, net            | 20,746     | 19,384     |
| Total assets                 | \$ 727,658 | \$ 742,838 |

#### Liabilities and Stockholders' Equity

|   |            |            |
|---|------------|------------|
| Current liabilities:  |            |            |
| Accounts payable  | \$ 24,433  | \$ 28,759  |
| Accrued expenses  | 25,604     | 25,399     |
| Deferred income on shipments to distributors                      | 26,127     | 28,470     |
| Income taxes  | 3,692      | 6,011      |
| Total current liabilities   | 79,856     | 88,639     |
| Long-term obligations and other liabilities                       | 22,372     | 24,403     |
| Total liabilities   | 102,228    | 113,042    |
| 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;      |            |            |
| 43,933 and 45,772 shares issued and outstanding at                |            |            |
| January 1, 2011 and January 2, 2010, respectively                 | 4          | 5          |
| Additional paid-in capital  | 49,947     | 128,262    |
| Retained earnings   | 579,127    | 505,885    |
| Accumulated other comprehensive loss                              | (3,648 )   | (4,356 )   |
| Total stockholders' equity  | 625,430    | 629,796    |
| Total liabilities and stockholders' equity                        | \$ 727,658 | \$ 742,838 |

#### Silicon Laboratories Inc.

#### Condensed Consolidated Statements of Cash Flows

(in thousands)

(Unaudited)

|   | Year Ended |            |
|---|------------|------------|
|   | January 1, | January 2, |
|   | 2011       | 2010       |
| <b>Operating Activities</b>   |            |            |
| Net income  | \$ 73,242  | \$ 73,092  |
| Adjustments to reconcile net income to cash provided by operating activities: |            |            |
| Depreciation of property and equipment  | 11,797     | 11,887     |
| Loss on disposal of property and equipment                                    | 21         | 33         |
| Amortization of other intangible assets and other assets                      | 7,494      | 7,842      |
| Stock compensation expense  | 40,324     | 43,974     |
| Income tax benefit from employee stock-based awards                           | 3,295      | 2,422      |
| Excess income tax benefit from employee stock-based awards                    | (2,412 )   | (1,862 )   |
| Deferred income taxes   | (552 )     | 1,896      |
| Changes in operating assets and liabilities:                                  |            |            |
| Accounts receivable   | 11,342     | (19,657 )  |
| Inventories   | (7,811 )   | (3,216 )   |
| Prepaid expenses and other assets   | (5,321 )   | 3,362      |
| Accounts payable  | (777 )     | 8,036      |
| Accrued expenses  | (2,590 )   | (825 )     |
| Deferred income on shipments to distributors                                  | (2,343 )   | 6,871      |
| Income taxes  | (7,774 )   | (12,914 )  |
| Net cash provided by operating activities                                     | 117,935    | 120,941    |
| <b>Investing Activities</b>   |            |            |
| Purchases of available-for-sale investments                                   | (357,777 ) | (237,968 ) |

|  |            |            |
|--|------------|------------|
| Proceeds from sales and maturities of marketable securities              | 352,779    | 153,275    |
| Purchases of property and equipment                                      | (13,850 )  | (8,943 )   |
| Purchases of other assets  | (8,372 )   | (6,408 )   |
| Acquisitions of businesses, net of cash acquired                         | (28,021 )  | (4,300 )   |
| Net cash used in investing activities                                    | (55,241 )  | (104,344 ) |
| <b>Financing Activities</b>  |            |            |
| Proceeds from issuance of common stock, net of shares withheld for taxes | 18,055     | 25,187     |
| Excess income tax benefit from employee stock-based awards               | 2,412      | 1,862      |
| Repurchases of common stock  | (140,331 ) | (20,181 )  |
| Net cash provided by (used in) financing activities                      | (119,864 ) | 6,868      |
| Increase (decrease) in cash and cash equivalents                         | (57,170 )  | 23,465     |
| Cash and cash equivalents at beginning of period                         | 195,737    | 172,272    |
| Cash and cash equivalents at end of period                               | \$ 138,567 | \$ 195,737 |

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