

# Q2 FY 2019 Earnings Conference Call

## 24 October 2018

Guidance for Q3 FY 2019 & FY 2019  
End Market Classification Data

Updated : 26 Oct 2018



# Non-GAAP Information & Forward Looking Statements

## Forward Looking Statements

This release contains forward-looking statements and projections. Forward-looking statements and projections can often be identified by the use of forward-looking words such as “expect,” “believe,” “may,” “will,” “could,” “anticipate,” “estimate,” “continue,” “plan,” “intend,” “project” or other similar expressions. Statements that refer to or are based on projections, uncertain events or assumptions also identify forward-looking statements. Such forward looking statements include, but are not limited to, statements related to the semiconductor market, the growth and acceptance of our products, expected revenue growth, the demand and growth in the markets we serve, opportunity for expansion into new markets, and our expectations regarding our business outlook for the December quarter and full year of fiscal year 2019. Undue reliance should not be placed on such forward-looking statements and projections, which speak only as of the date they are made. We undertake no obligation to update such forward-looking statements. Actual events and results may differ materially from those in the forward-looking statements and are subject to risks and uncertainties including customer acceptance of our new products, current global economic conditions, the health of our customers and the end markets in which they participate, our ability to forecast end customer demand, a high dependence on turns business, more customer volume discounts than expected, greater product mix changes than anticipated, fluctuations in manufacturing yields, our ability to deliver product in a timely manner, our ability to successfully manage production at multiple foundries, variability in wafer pricing, costs and liabilities associated with current and future litigation, our ability to realize the goals contemplated by our acquisitions and strategic investments, the impact of current and future legislative and regulatory changes, the impact of new accounting pronouncements and tax laws, including the U.S. Tax Cuts and Jobs Act, and interpretations thereof, and other risk factors described in our most recent Forms 10-Q and 10-K.

# Non-GAAP Information & Forward Looking Statements

## Non-GAAP Financial Information

Fiscal quarter 2019 results and business outlook for the December quarter and full year of fiscal year 2019 include financial measures which are not determined in accordance with the United States generally accepted accounting principles (GAAP), as indicated. Non-GAAP measures should not be considered as a substitute for, or superior to, financial measures determined in accordance with GAAP. The presentation of non-GAAP financial measures has been reconciled, in each case, to the most directly-comparable GAAP measure, as indicated in the accompanying tables. The Company's calculation of such non-GAAP measures may not be comparable to similarly-titled measures used by other companies.

Management uses the non-GAAP financial measures disclosed herein to evaluate the Company's financial results from continuing operations (excluding the impact of acquisitions) and compare to operating performance in past periods. Similarly, Management believes presentation of these non-GAAP measures is useful to investors because it enables investors and analysts to evaluate operating expenses of the Company's core business, excluding the impact of non-core business expenses such as acquisition-related amortization and non-recurring items.

*M&A related expenses:* These expenses mainly consist of legal and consulting fees associated with due diligence review of acquired companies. We believe that these costs do not reflect the Company's current operating performance. Consequently, the non-GAAP adjustments exclude these charges to facilitate an evaluation of the Company's current operating performance and comparisons to its past operating performance.

*Amortization of acquisition-related intangibles:* Amortization of acquisition-related intangible assets consists of amortization of intangible assets such as developed technology acquired in connection with business combinations. The non-GAAP adjustments exclude these charges to facilitate an evaluation of the Company's current operating performance and comparisons to its past operating performance.

*Gains on investment related to acquisition:* The Company excludes the accounting gain resulting from revaluation of its prior minority investment in DeePhi Tech. The Company believes excluding this gain will facilitate a comparable evaluation of its current operating performance to its past operating performance.

*Income taxes:* The Company excludes the income tax effects of non-GAAP adjustments reflected in Operating Expenses and Other Income, as detailed above. It also excludes U.S. tax reform related items. The Company believes excluding U.S. tax reform related items will facilitate a comparable evaluation of its current performance to its past performance. The third quarter of fiscal 2019 and fiscal year 2019 outlook do not reflect other tax related items which we are not able to predict without unreasonable efforts due to their inherent uncertainty.

# Q3 FY 2019 Financial Guidance – 24 October 2018

	GAAP	Non-GAAP Adjustments	Non-GAAP
Revenues	\$760M - \$780M	-	\$760M - \$780M
Gross Margin	~ 69%	-	~ 69%
Operating Expenses	~\$295M	\$5M (1)	~\$290M
Other Income	~\$4-5M	-	~\$4-5M
Tax Rate	10% - 12%	-	10% - 12%

(1) Excludes an estimated amount of \$5 million in M&A related expenses and amortization of acquired intangibles

# FY 2019 Financial Guidance – 24 October 2018

	GAAP	Non-GAAP Adjustments	Non-GAAP
Revenues	\$2,950M - \$3,000M	-	\$2,950M - \$3,000M
Gross Margin	69% - 70%	-	69% - 70%
Operating Expenses	\$1,145M - \$1,165M	\$15 M (1)	\$1,130M - \$1,150M
Other Income	~\$10M-15M	\$7 M (2)	~\$3M-8M
Tax Rate	10% - 12%	(1%) (3)	9% - 11%
Diluted Share count	256M	-	256M

(1) Excludes an estimated amount of \$15 million in M&A related expenses and amortization of acquired intangibles

(2) Excludes an amount of approximately \$7 million from a gain on investment

(3) Excludes income tax effects of non-GAAP adjustments reflected in Operating Expenses and Other Income as well as U.S. tax reform related items

# Net Revenues by End Market

Revenue In \$M

	Q1 FY18		Q2 FY18		Q3 FY18		Q4 FY18		Q1 FY19		Q2 FY19	
	Revenue	% Revenue	Revenue	% Revenue	Revenue	% Revenue	Revenue	% Revenue	Revenue	% Revenue	Revenue	% Revenue
Data Center and TME	115.2	19%	124.9	20%	147.0	25%	158.8	25%	129.2	19%	160.1	21%
Automotive, Broadcast and Consumer	100.5	17%	102.6	16%	101.9	17%	96.1	15%	112.3	16%	120.3	16%
Communications	227.6	38%	194.9	31%	197.1	33%	197.3	31%	210.7	31%	258.9	35%
Industrial, Aerospace & Defense	172.1	28%	197.1	32%	185.2	31%	220.7	35%	223.8	33%	187.9	25%
Channel	(12.6)	-2%	7.9	1%	(32.6)	-6%	(34.7)	-6%	8.4	1%	19.1	3%
<b>Total Revenue</b>	<b>602.8</b>	<b>100.0%</b>	<b>627.4</b>	<b>100%</b>	<b>598.6</b>	<b>100%</b>	<b>638.2</b>	<b>100.0%</b>	<b>684.4</b>	<b>100%</b>	<b>746.3</b>	<b>100%</b>

Note: Table reflects new market classification methodology adopted in Q1 FY 2019

**Adaptable.**  
**Intelligent.**

