

November 28, 2017



# Marvell Technology Group Ltd. Reports Third Quarter of Fiscal Year 2018 Financial Results

- Q3 Revenue: \$616 million
- Q3 Gross Margin: 61.3% GAAP gross margin; 61.6% non-GAAP gross margin
- Q3 Diluted earnings per share: \$0.30 GAAP diluted earnings per share from continuing operations; \$0.34 non-GAAP diluted earnings per share from continuing operations
- Cash and short-term investments: \$1.7 billion

SANTA CLARA, Calif., Nov. 28, 2017 /PRNewswire/ -- Marvell Technology Group Ltd. (NASDAQ: MRVL), a leader in storage, networking and connectivity semiconductor solutions, today reported financial results for the third fiscal quarter of fiscal year 2018. Revenue for the third quarter of fiscal 2018 was \$616 million, which exceeded the midpoint of the Company's guidance provided on August 24, 2017.

GAAP net income from continuing operations for the third quarter of fiscal 2018 was \$149 million, or \$0.30 per share. Non-GAAP net income from continuing operations for the third quarter of fiscal 2018 was \$172 million, or \$0.34 per diluted share. Cash flow from operations for the third quarter was \$216 million.

"Our strong performance in the third quarter is a direct result of growth in our core businesses and improved execution across the company, enabling us to continue to unlock the earnings power of Marvell," said Matt Murphy, Marvell President and CEO.

## Fourth Quarter of Fiscal 2018 Financial Outlook

- Revenue is expected to be \$595 million to \$625 million.
- GAAP and non-GAAP gross margins are expected to be approximately 62%.
- GAAP operating expenses are expected to be \$240 million to \$246 million.
- Non-GAAP operating expenses are expected to be \$215 million to \$220 million.
- GAAP diluted EPS from continuing operations is expected to be in the range of \$0.23 to \$0.29 per share.
- Non-GAAP diluted EPS from continuing operations is expected to be in the range of \$0.29 to \$0.33 per share.

On November 20, 2017, Marvell Technology Group Ltd. announced a definitive agreement to acquire all outstanding shares of the common stock of Cavium, Inc. The transaction is expected to close in mid-calendar 2018, subject to regulatory approval as well as other customary closing conditions, including the adoption by Cavium shareholders of the merger agreement and the approval by Marvell shareholders of the issuance of Marvell common shares in the transaction. For further information visit <http://MarvellCavium.transactionannouncement.com>.

## Conference Call

Marvell will conduct a conference call on Tuesday, November 28, 2017 at 1:45 p.m. Pacific Time to discuss results for the third quarter of fiscal 2018. Interested parties may join the conference call by

dialing 1-844-647-5488 or 1-615-247-0258, pass-code 4999449. The call will be webcast by Thomson Reuters and can be accessed at the Marvell Investor Relations website at <http://investor.marvell.com/> with a replay available following the call until Wednesday, December 6, 2017.

## **Discussion of Non-GAAP Financial Measures**

Non-GAAP financial measures exclude the effect of share-based compensation expense, amortization and write-off of acquired intangible assets, acquisition-related costs, restructuring and other related charges, litigation settlement, and certain expenses and benefits that are driven primarily by discrete events that management does not consider to be directly related to Marvell's core business.

In fiscal 2018, Marvell began using a non-GAAP tax rate to compute the non-GAAP tax provision. This non-GAAP tax rate is based on Marvell's estimated annual GAAP income tax forecast, adjusted to account for items excluded from GAAP income in calculating Marvell's non-GAAP income, as well as the effects of significant non-recurring and period specific tax items which vary in size and frequency. Marvell's non-GAAP tax rate is determined on an annual basis and may be adjusted during the year to take into account events that may materially affect the non-GAAP tax rate such as tax law changes; significant changes in Marvell's geographic mix of revenue and expenses; or changes to Marvell's corporate structure. For the third quarter of fiscal 2018, a non-GAAP tax rate of 4% has been applied to the non-GAAP financial results.

Non-GAAP diluted net income per share from continuing operations is calculated by dividing non-GAAP net income from continuing operations by non-GAAP weighted average shares outstanding (diluted). For purposes of calculating non-GAAP diluted net income per share, the GAAP weighted average shares outstanding (diluted) is adjusted to exclude the potential benefits of share-based compensation expected to be incurred in future periods but not yet recognized in the financial statements. The expected compensation costs are treated as additional proceeds assumed to be used to repurchase shares under the GAAP treasury stock method.

Marvell believes that the presentation of non-GAAP financial measures provide important supplemental information to management and investors regarding financial and business trends relating to Marvell's financial condition and results of operations. While Marvell uses non-GAAP financial measures as a tool to enhance its understanding of certain aspects of its financial performance, Marvell does not consider these measures to be a substitute for, or superior to, financial measures calculated in accordance with GAAP. Consistent with this approach, Marvell believes that disclosing non-GAAP financial measures to the readers of its financial statements provides such readers with useful supplemental data that, while not a substitute for GAAP financial measures, allows for greater transparency in the review of its financial and operational performance.

Externally, management believes that investors may find Marvell's non-GAAP financial measures useful in their assessment of Marvell's operating performance and the valuation of Marvell. Internally, Marvell's non-GAAP financial measures are used in the following areas:

- Management's evaluation of Marvell's operating performance;
- Management's establishment of internal operating budgets;
- Management's performance comparisons with internal forecasts and targeted business models; and
- Management's determination of the achievement and measurement of certain performance-based equity awards (adjustments may vary from award to award).

Non-GAAP financial measures have limitations in that they do not reflect all of the costs associated with the operations of Marvell's business as determined in accordance with GAAP. As a result, you should not consider these measures in isolation or as a substitute for analysis of Marvell's results as reported under GAAP. Marvell expects to continue to incur expenses similar to the non-GAAP adjustments described above, and exclusion of these items from Marvell's non-GAAP net income should not be construed as an inference that these costs are unusual, infrequent or non-recurring.

## **Forward-Looking Statements under the Private Securities Litigation Reform Act of 1995**

This press release contains forward-looking statements within the meaning of the federal securities laws that involve risks and uncertainties, including: the transaction between Marvell and Cavium, including statements regarding the anticipated timing of the transaction; Marvell's expectations regarding its fourth quarter of fiscal 2018 financial outlook; and Marvell's use of non-GAAP financial measures as important supplemental information. Words such as "anticipates," "expects," "intends," "plans," "projects," "believes," "seeks," "estimates," "can," "may," "will," "would" and similar expressions identify such forward-looking statements. These statements are not guarantees of results and should not be considered as an indication of future activity or future performance. Actual events or results may differ materially from those described in this press release due to a number of risks and uncertainties, including, but not limited to: the risk that the Cavium transaction may not be completed in a timely manner or at all, which may adversely affect Cavium's business and the price of its common stock and/or Marvell's business and the price of its common shares; the failure to satisfy the conditions to the consummation of the transaction, including the adoption of the merger agreement by the stockholders of Cavium, the approval of the issuance of Marvell shares in the transaction by the shareholders of Marvell, and the receipt of certain governmental and regulatory approvals; the failure of Marvell to obtain the necessary financing pursuant to the arrangements set forth in the debt commitment letters delivered pursuant to the merger agreement or otherwise; the occurrence of any event, change or other circumstance that could give rise to the termination of the merger agreement; the effect of the announcement or pendency of the transaction on Cavium's business relationships, operating results, and business generally; risks that the proposed transaction disrupts current plans and operations of Cavium or Marvell and potential difficulties in Cavium employee retention as a result of the transaction; risks related to diverting management's attention from Cavium's ongoing business operations; the outcome of any legal proceedings that may be instituted against Marvell or against Cavium related to the merger agreement or the transaction; the ability of Marvell to successfully integrate Cavium's operations and product lines; the ability of Marvell to implement its plans, forecasts, and other expectations with respect to Cavium's business after the completion of the proposed merger and realize the anticipated synergies and cost savings in the time frame anticipated or at all, and identify and realize additional opportunities; the risk of downturns in the highly cyclical semiconductor industry; Marvell's dependence upon the storage, networking and connectivity markets, which are highly cyclical and intensely competitive; the outcome of pending or future litigation and legal and regulatory proceedings; Marvell's dependence on a small number of customers; severe financial hardship or bankruptcy of one or more of Marvell's major customers; Marvell's ability and the ability of its customers to successfully compete in the markets in which it serves; Marvell's reliance on independent foundries and subcontractors for the manufacture, assembly and testing of its products; Marvell's ability and its customers' ability to develop new and enhanced products and the adoption of those products in the market; decreases in gross margin and results of operations in the future due to a number of factors; Marvell's ability to estimate customer demand and future sales accurately; Marvell's ability to scale its operations in response to changes in demand for existing or new products and services; the impact of international conflict and continued economic volatility in either domestic or foreign markets; the effects of transitioning to smaller geometry process technologies; the risks associated with manufacturing and selling a majority of products and customers' products outside of the United States; risks associated with acquisition and consolidation activity in the semiconductor industry; the impact of any change in the income tax laws in jurisdictions where Marvell operates and the loss of any beneficial tax treatment that Marvell currently enjoys; the effects of any potential acquisitions or investments; Marvell's ability to protect its intellectual property; the impact and costs associated with changes in international financial and regulatory conditions; Marvell's maintenance of an effective system of internal controls; and other risks detailed in Marvell's SEC filings from time to time. For other factors that could cause Marvell's results to vary from expectations, please see the risk factors identified in Marvell's Quarterly Report on Form 10-Q for the fiscal quarter ended July 29, 2017 as filed with the SEC on August 31, 2017, and other factors detailed from time to time in Marvell's filings with the SEC. Marvell undertakes no obligation to revise or update publicly any forward-looking statements.

## **About Marvell**

Marvell first revolutionized the digital storage industry by moving information at speeds never thought possible. Today, that same breakthrough innovation remains at the heart of the Company's storage, networking and connectivity solutions. With leading intellectual property and deep system-level

knowledge, Marvell's semiconductor solutions continue to transform the enterprise, cloud, automotive, industrial, and consumer markets. To learn more, visit: [www.marvell.com](http://www.marvell.com).

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**Marvell Technology Group Ltd.**  
**Condensed Consolidated Statements of Operations (Unaudited)**  
(In thousands, except per share amounts)

|                                                        | Three Months Ended  |                  |                     | Nine Months Ended   |                     |
|--------------------------------------------------------|---------------------|------------------|---------------------|---------------------|---------------------|
|                                                        | October 28,<br>2017 | July 29,<br>2017 | October 29,<br>2016 | October 28,<br>2017 | October 29,<br>2016 |
| Net revenue                                            | \$ 616,302          | \$ 604,750       | \$ 623,651          | \$ 1,793,761        | \$ 1,734,630        |
| Cost of goods sold                                     | 238,533             | 239,572          | 266,757             | 705,303             | 777,117             |
| Gross profit                                           | 377,769             | 365,178          | 356,894             | 1,088,458           | 957,513             |
| Operating expenses:                                    |                     |                  |                     |                     |                     |
| Research and development                               | 165,477             | 180,871          | 202,416             | 534,444             | 629,767             |
| Selling, general and administrative                    | 59,112              | 55,659           | 60,088              | 169,875             | 192,052             |
| Restructuring related charges                          | 3,284               | 4,285            | 1,164               | 8,455               | 6,326               |
| Total operating expenses                               | 227,873             | 240,815          | 263,668             | 712,774             | 828,145             |
| Operating income from continuing operations            | 149,896             | 124,363          | 93,226              | 375,684             | 129,368             |
| Interest and other income, net                         | 6,200               | 7,188            | 5,470               | 16,721              | 13,242              |
| Income from continuing operations before income taxes  | 156,096             | 131,551          | 98,696              | 392,405             | 142,610             |
| Provision (benefit) for income taxes                   | 6,759               | (3,899)          | 15,523              | 8,026               | 4,263               |
| Income from continuing operations, net of tax          | 149,337             | 135,450          | 83,173              | 384,379             | 138,347             |
| Income (loss) from discontinued operations, net of tax | 50,851              | 29,809           | (10,557)            | 87,689              | (37,105)            |
| Net income                                             | \$ 200,188          | \$ 165,259       | \$ 72,616           | \$ 472,068          | \$ 101,242          |
| Net income (loss) per share — Basic:                   |                     |                  |                     |                     |                     |
| Continuing operations                                  | \$ 0.30             | \$ 0.27          | \$ 0.16             | \$ 0.77             | \$ 0.27             |
| Discontinued operations                                | \$ 0.11             | \$ 0.06          | \$ (0.02)           | \$ 0.17             | \$ (0.07)           |
| Net income per share - Basic                           | \$ 0.41             | \$ 0.33          | \$ 0.14             | \$ 0.94             | \$ 0.20             |
| Net income (loss) per share — Diluted:                 |                     |                  |                     |                     |                     |
| Continuing operations                                  | \$ 0.30             | \$ 0.26          | \$ 0.16             | \$ 0.75             | \$ 0.27             |
| Discontinued operations                                | \$ 0.10             | \$ 0.06          | \$ (0.02)           | \$ 0.17             | \$ (0.07)           |
| Net income per share - Diluted                         | \$ 0.40             | \$ 0.32          | \$ 0.14             | \$ 0.92             | \$ 0.20             |
| Weighted average shares:                               |                     |                  |                     |                     |                     |
| Basic                                                  | 494,096             | 500,817          | 511,090             | 499,568             | 510,373             |
|                                                        | 504,903             | 510,309          | 522,091             | 510,935             | 516,476             |
| Diluted                                                |                     |                  |                     |                     |                     |

**Marvell Technology Group Ltd.**  
**Condensed Consolidated Balance Sheets (Unaudited)**  
(In thousands)

|                                              | <u>October 28,<br/>2017</u> | <u>January 28,<br/>2017</u> |
|----------------------------------------------|-----------------------------|-----------------------------|
| <b>Assets</b>                                |                             |                             |
| Current assets:                              |                             |                             |
| Cash and cash equivalents                    | \$ 800,099                  | \$ 814,092                  |
| Short-term investments                       | 931,976                     | 854,268                     |
| Accounts receivable, net                     | 366,114                     | 335,384                     |
| Inventories                                  | 173,741                     | 170,842                     |
| Prepaid expenses and other current assets    | 49,920                      | 58,771                      |
| Assets held for sale                         | <u>36,571</u>               | <u>57,077</u>               |
| Total current assets                         | 2,358,421                   | 2,290,434                   |
| Property and equipment, net                  | 198,173                     | 243,397                     |
| Goodwill and acquired intangible assets, net | 1,993,668                   | 1,996,880                   |
| Other non-current assets                     | <u>131,942</u>              | <u>117,939</u>              |
| Total assets                                 | <u>\$ 4,682,204</u>         | <u>\$ 4,648,650</u>         |
| <b>Liabilities and Shareholders' Equity</b>  |                             |                             |
| Current liabilities:                         |                             |                             |
| Accounts payable                             | \$ 166,096                  | \$ 143,484                  |
| Accrued liabilities                          | 108,007                     | 143,491                     |
| Accrued employee compensation                | 129,035                     | 139,647                     |
| Deferred income                              | 74,943                      | 63,976                      |
| Liabilities held for sale                    | <u>—</u>                    | <u>5,818</u>                |
| Total current liabilities                    | 478,081                     | 496,416                     |
| Non-current income taxes payable             | 56,641                      | 60,646                      |
| Other non-current liabilities                | <u>86,533</u>               | <u>63,937</u>               |

|                                            |                     |                     |
|--------------------------------------------|---------------------|---------------------|
| Total liabilities                          | <u>621,255</u>      | <u>620,999</u>      |
| Shareholders' equity:                      |                     |                     |
| Common stock                               | 982                 | 1,012               |
| Additional paid-in capital                 | 2,669,775           | 3,016,775           |
| Accumulated other comprehensive income     | (192)               | 23                  |
| Retained earnings                          | <u>1,390,384</u>    | <u>1,009,841</u>    |
| Total shareholders' equity                 | <u>4,060,949</u>    | <u>4,027,651</u>    |
| Total liabilities and shareholders' equity | <u>\$ 4,682,204</u> | <u>\$ 4,648,650</u> |

**Marvell Technology Group Ltd.**  
**Condensed Consolidated Statements of Cash Flows (Unaudited)**  
(In thousands)

|                                                                                             | <u>Three Months Ended</u>   |                             | <u>Nine Months Ended</u>    |                             |
|---------------------------------------------------------------------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
|                                                                                             | <u>October 28,<br/>2017</u> | <u>October 29,<br/>2016</u> | <u>October 28,<br/>2017</u> | <u>October 29,<br/>2016</u> |
| <b>Cash flows from operating activities:</b>                                                |                             |                             |                             |                             |
| Net income                                                                                  | \$ 200,188                  | \$ 72,616                   | \$ 472,068                  | \$ 101,242                  |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities: |                             |                             |                             |                             |
| Depreciation and amortization                                                               | 21,383                      | 27,188                      | 62,569                      | 81,168                      |
| Share-based compensation                                                                    | 18,873                      | 28,263                      | 65,312                      | 89,912                      |
| Amortization and write-off of acquired intangible assets                                    | 1,076                       | 2,784                       | 3,212                       | 8,676                       |
| Restructuring related impairment charges                                                    | 44                          | 1,056                       | (402)                       | 2,081                       |
| Gain from investments in privately-held companies                                           | (1,751)                     | —                           | (2,501)                     | —                           |
| Amortization (accretion) of premium /discount on available-for-sale securities              | (200)                       | (679)                       | 603                         | 1,697                       |
| Other non-cash expense (income), net                                                        | 2,755                       | (251)                       | 1,331                       | (677)                       |
| Excess tax benefits from share-based compensation                                           | —                           | (5)                         | —                           | (10)                        |
|                                                                                             | 7                           | 201                         | 2,797                       | (2,222)                     |
| Deferred income taxes                                                                       |                             |                             |                             |                             |

|                                                              |           |           |           |           |
|--------------------------------------------------------------|-----------|-----------|-----------|-----------|
| Gain on sale of property and equipment                       | (190)     | —         | (473)     | —         |
| Gain on sale of discontinued operations                      | (46,219)  | —         | (88,406)  | —         |
| Gain on sale of business                                     | —         | —         | (5,254)   | —         |
| Changes in assets and liabilities:                           |           |           |           |           |
| Accounts receivable                                          | 5,583     | (13,512)  | (30,730)  | (38,895)  |
| Inventories                                                  | (1,327)   | 3,710     | (16,039)  | 10,944    |
| Prepaid expenses and other assets                            | 5,268     | 6,256     | 13,122    | (356)     |
| Accounts payable                                             | 16,119    | (29,818)  | 20,087    | 10,541    |
| Accrued liabilities and other non-current liabilities        | (7,046)   | 6,508     | (40,462)  | (23,735)  |
| Carnegie Mellon University accrued litigation settlement (a) | —         | —         | —         | (736,000) |
| Accrued employee compensation                                | (2,237)   | 25,537    | (10,612)  | 10,419    |
| Deferred income                                              | 3,865     | (8,393)   | 5,149     | 7,934     |
| Net cash provided by (used in) operating activities          | 216,191   | 121,461   | 451,371   | (477,281) |
| <b>Cash flows from investing activities:</b>                 |           |           |           |           |
| Purchases of available-for-sale securities                   | (296,659) | (140,087) | (672,887) | (343,810) |
| Sales of available-for-sale securities                       | 167,451   | 118,649   | 284,151   | 458,744   |
| Maturities of available-for-sale securities                  | 136,090   | 51,823    | 305,702   | 198,293   |
| Return of investment from privately-held companies           | 3,701     | 274       | 6,089     | 274       |
| Purchases of time deposits                                   | (75,000)  | (75,000)  | (225,000) | (200,000) |
| Maturities of time deposits                                  | 75,000    | 50,000    | 225,000   | 50,000    |

|                                                                              |                   |                   |                   |                   |
|------------------------------------------------------------------------------|-------------------|-------------------|-------------------|-------------------|
| Purchases of technology licenses                                             | (3,555)           | (394)             | (5,256)           | (8,439)           |
| Purchases of property and equipment                                          | (10,613)          | (13,347)          | (25,156)          | (37,724)          |
| Proceeds from sales of property and equipment                                | 249               | —                 | 1,988             | —                 |
| Net proceeds from sale of discontinued operations                            | 93,735            | —                 | 165,940           | —                 |
| Net proceeds from sale of business                                           | <u>2,402</u>      | <u>—</u>          | <u>2,402</u>      | <u>—</u>          |
| Net cash provided by (used in) investing activities                          | <u>92,801</u>     | <u>(8,082)</u>    | <u>62,973</u>     | <u>117,338</u>    |
| <b>Cash flows from financing activities:</b>                                 |                   |                   |                   |                   |
| Repurchases of common stock                                                  | (140,017)         | (56,531)          | (527,574)         | (56,531)          |
| Proceeds from employee stock plans                                           | 39,614            | 11,277            | 137,424           | 11,836            |
| Minimum tax withholding paid on behalf of employees for net share settlement | (1,120)           | (899)             | (25,934)          | (16,281)          |
| Dividend payments to shareholders                                            | (29,470)          | (30,699)          | (89,556)          | (91,835)          |
| Payments on technology license obligations                                   | (8,401)           | (3,696)           | (22,697)          | (13,848)          |
| Excess tax benefits from share-based compensation                            | <u>—</u>          | <u>5</u>          | <u>—</u>          | <u>10</u>         |
| Net cash used in financing activities                                        | <u>(139,394)</u>  | <u>(80,543)</u>   | <u>(528,337)</u>  | <u>(166,649)</u>  |
| Net increase (decrease) in cash and cash equivalents                         | 169,598           | 32,836            | (13,993)          | (526,592)         |
| Cash and cash equivalents at beginning of period                             | <u>630,501</u>    | <u>718,752</u>    | <u>814,092</u>    | <u>1,278,180</u>  |
| Cash and cash equivalents at end of period                                   | <u>\$ 800,099</u> | <u>\$ 751,588</u> | <u>\$ 800,099</u> | <u>\$ 751,588</u> |

(a) The Company paid \$750.0 million to Carnegie Mellon University in connection with a litigation settlement agreement reached in February 2016.

**Marvell Technology Group Ltd.**  
**Reconciliations from GAAP to Non-GAAP (Unaudited)**  
(In thousands, except per share amounts)

|                          | Three Months Ended  |                  |                     | Nine Months Ended   |                     |
|--------------------------|---------------------|------------------|---------------------|---------------------|---------------------|
|                          | October 28,<br>2017 | July 29,<br>2017 | October 29,<br>2016 | October 28,<br>2017 | October 29,<br>2016 |
| GAAP gross profit:       | \$ 377,769          | \$ 365,178       | \$ 356,894          | \$ 1,088,458        | \$ 957,513          |
| Special items:           |                     |                  |                     |                     |                     |
| Share-based compensation | 1,747               | 1,810            | 2,189               | 4,983               | 6,693               |

|                                                                       |            |            |            |              |            |
|-----------------------------------------------------------------------|------------|------------|------------|--------------|------------|
| Other cost of<br>goods sold<br>(a)                                    | —          | 3,000      | —          | 3,000        | —          |
| Total special items                                                   | 1,747      | 4,810      | 2,189      | 7,983        | 6,693      |
| Non-GAAP gross<br>profit                                              | \$ 379,516 | \$ 369,988 | \$ 359,083 | \$ 1,096,441 | \$ 964,206 |
| GAAP gross margin                                                     | 61.3 %     | 60.4 %     | 57.2 %     | 60.7 %       | 55.2 %     |
| Non-GAAP gross<br>margin                                              | 61.6 %     | 61.2 %     | 57.6 %     | 61.1 %       | 55.6 %     |
| Total GAAP operating<br>expenses                                      | \$ 227,873 | \$ 240,815 | \$ 263,668 | \$ 712,774   | \$ 828,145 |
| Special items:                                                        |            |            |            |              |            |
| Share-based<br>compensation                                           | (18,892)   | (19,557)   | (23,041)   | (58,762)     | (73,044)   |
| Restructuring<br>related<br>charges (b)                               | (3,284)    | (4,285)    | (1,164)    | (8,455)      | (6,326)    |
| Amortization<br>of and write-<br>off acquired<br>intangible<br>assets | (1,076)    | (1,065)    | (2,299)    | (3,212)      | (6,896)    |
| Other<br>operating<br>expenses (c)                                    | (120)      | (1,687)    | —          | (4,110)      | (1,229)    |
| Total special items                                                   | (23,372)   | (26,594)   | (26,504)   | (74,539)     | (87,495)   |
| Total non-GAAP<br>operating expenses                                  | \$ 204,501 | \$ 214,221 | \$ 237,164 | \$ 638,235   | \$ 740,650 |
| GAAP operating<br>margin                                              | 24.3 %     | 20.6 %     | 14.9 %     | 20.9 %       | 7.5 %      |
| Other cost of<br>goods sold<br>(a)                                    | — %        | 0.5 %      | — %        | 0.2 %        | — %        |
| Share-based<br>compensation                                           | 3.3 %      | 3.5 %      | 4.0 %      | 3.6 %        | 4.6 %      |
| Restructuring<br>related<br>charges (b)                               | 0.5 %      | 0.7 %      | 0.2 %      | 0.5 %        | 0.4 %      |

|                                                              |                 |                 |                 |                  |                  |
|--------------------------------------------------------------|-----------------|-----------------|-----------------|------------------|------------------|
| Amortization and write-off of acquired intangible assets     | 0.2 %           | 0.2 %           | 0.4 %           | 0.2 %            | 0.3 %            |
| Other operating expenses (c)                                 | 0.1 %           | 0.3 %           | — %             | 0.1 %            | 0.1 %            |
| Non-GAAP operating margin                                    | <u>28.4 %</u>   | <u>25.8 %</u>   | <u>19.5 %</u>   | <u>25.5 %</u>    | <u>12.9 %</u>    |
| GAAP interest and other income, net                          | \$ 6,200        | \$ 7,188        | \$ 5,470        | \$ 16,721        | \$ 13,242        |
| Special items:                                               |                 |                 |                 |                  |                  |
| Restructuring related items (d)                              | (2,286)         | (3,085)         | —               | (5,371)          | —                |
| Total special items                                          | <u>(2,286)</u>  | <u>(3,085)</u>  | <u>—</u>        | <u>(5,371)</u>   | <u>—</u>         |
| Total non-GAAP interest and other income, net                | <u>\$ 3,914</u> | <u>\$ 4,103</u> | <u>\$ 5,470</u> | <u>\$ 11,350</u> | <u>\$ 13,242</u> |
| GAAP net income                                              | \$ 200,188      | \$ 165,259      | \$ 72,616       | \$ 472,068       | \$ 101,242       |
| Less: Income (loss) from discontinued operations, net of tax | 50,851          | 29,809          | (10,557)        | 87,689           | (37,105)         |
| GAAP net income from continuing operations                   | <u>149,337</u>  | <u>135,450</u>  | <u>83,173</u>   | <u>384,379</u>   | <u>138,347</u>   |
| Special items:                                               |                 |                 |                 |                  |                  |
| Other cost of goods sold (a)                                 | —               | 3,000           | —               | 3,000            | —                |
| Share-based compensation                                     | 20,639          | 21,367          | 25,230          | 63,745           | 79,737           |
| Restructuring related charges (b)                            | 998<br>1,076    | 1,200<br>1,065  | 1,164<br>2,299  | 3,084<br>3,212   | 6,326<br>6,896   |
| Amortization of and write-                                   |                 |                 |                 |                  |                  |

|                                                                              |            |            |            |            |            |
|------------------------------------------------------------------------------|------------|------------|------------|------------|------------|
| off acquired<br>intangible<br>assets                                         |            |            |            |            |            |
| Other<br>operating<br>expenses (c)                                           |            |            |            |            |            |
|                                                                              | 120        | 1,687      | —          | 4,110      | 1,229      |
| Pre-tax total special<br>items                                               | 22,833     | 28,319     | 28,693     | 77,151     | 94,188     |
| Other income<br>tax effects<br>and<br>adjustments<br>(e)                     | (398)      | (10,298)   | —          | (10,760)   | (1,071)    |
| Non-GAAP net<br>income from<br>continuing operations                         | \$ 171,772 | \$ 153,471 | \$ 111,866 | \$ 450,770 | \$ 231,464 |
| Weighted average<br>shares — basic                                           | 494,096    | 500,817    | 511,090    | 499,568    | 510,373    |
| Weighted average<br>shares — diluted                                         | 504,903    | 510,309    | 522,091    | 510,935    | 516,476    |
| Non-GAAP weighted<br>average shares —<br>diluted (f)                         | 512,676    | 519,438    | 531,831    | 518,423    | 526,883    |
| GAAP diluted net<br>income (loss) per<br>share from continuing<br>operations | \$ 0.30    | \$ 0.26    | \$ 0.16    | \$ 0.75    | \$ 0.27    |
| Non-GAAP diluted net<br>income per share<br>from continuing<br>operations    | \$ 0.34    | \$ 0.30    | \$ 0.21    | \$ 0.87    | \$ 0.44    |

- (a) Other costs of goods sold in the three months ended July 29, 2017 and the nine months ended October 28, 2017 include charges for past intellectual property licensing matters.
- (b) Restructuring related charges include costs that are a direct result of restructuring. Such charges include employee severance, facilities related costs, contract cancellation charges and impairment of equipment.
- (c) Other operating expenses include costs of retention bonuses offered to employees who remained through the ramp down of certain operations due to the restructuring actions.
- (d) Interest and other income, net includes restructuring related items such as gain on sale of a business and foreign currency remeasurement related to restructuring related accruals.
- (e) Other income tax effects and adjustments in the three months ended October 28, 2017 and July 29, 2017 include adjustment to the tax provision based on a non-GAAP tax rate of 4%. Other income tax effects and adjustments in the nine months ended October 28, 2017 includes adjustment to the tax provision based on a non-GAAP tax rate of 4%.
- (f) Non-GAAP diluted share count excludes the impact of share-based compensation expense expected to be incurred in future periods and not yet recognized in the Company's financial statements, which would otherwise be assumed to be used to repurchase shares under the GAAP treasury stock method.

**Quarterly Revenue Trend (Unaudited)**  
(In thousands)

|                | Three Months Ended |               |                  | % Change |     |
|----------------|--------------------|---------------|------------------|----------|-----|
|                | October 28, 2017   | July 29, 2017 | October 29, 2016 | YoY      | QoQ |
| Storage (1)    | \$ 315,338         | \$ 311,501    | \$ 328,960       | (4) %    | 1 % |
| Networking (2) | 150,497            | 147,250       | 146,752          | 3 %      | 2 % |

|                   |            |            |            |        |     |
|-------------------|------------|------------|------------|--------|-----|
| Connectivity (3)  | 102,662    | 98,571     | 86,424     | 19 %   | 4 % |
| Total Core        | 568,497    | 557,322    | 562,136    | 1 %    | 2 % |
| Other (4)         | 47,805     | 47,428     | 61,515     | (22) % | 1 % |
| Total Revenue (5) | \$ 616,302 | \$ 604,750 | \$ 623,651 | (1) %  | 2 % |

| % of Total       | Three Months Ended |               |                  |
|------------------|--------------------|---------------|------------------|
|                  | October 28, 2017   | July 29, 2017 | October 29, 2016 |
| Storage (1)      | 51 %               | 52 %          | 53 %             |
| Networking (2)   | 24 %               | 24 %          | 24 %             |
| Connectivity (3) | 17 %               | 16 %          | 14 %             |
| Total Core       | 92 %               | 92 %          | 91 %             |
| Other (4)        | 8 %                | 8 %           | 9 %              |
| Total Revenue    | 100 %              | 100 %         | 100 %            |

(1) Storage products are comprised primarily of HDD, SSD Controllers and Data Center Storage Solutions.

(2) Networking products are comprised primarily of Ethernet Switches, Ethernet Transceivers, Embedded ARM Processors and Automotive Ethernet, as well as a few legacy product lines in which we no longer invest, but will generate revenue for several years.

(3) Connectivity products are comprised primarily of WiFi solutions including WiFi only, WiFi/Bluetooth combos and WiFi Microcontroller combos.

(4) Other products are comprised primarily of Printer Solutions, Application Processors and others.

(5) Excludes the revenue of certain non-strategic businesses that were classified as discontinued operations.

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