

August 8, 2017



## MaxLinear, Inc. Announces Second Quarter 2017 Financial Results

*Second Quarter 2017 GAAP Revenue of \$104.2 million, net of a \$5.2 million revenue elimination under purchase accounting  
GAAP Diluted Earnings per Share of \$0.16  
and Non-GAAP Diluted Earnings per Share of \$0.35*

CARLSBAD, Calif., Aug. 08, 2017 (GLOBE NEWSWIRE) -- MaxLinear, Inc. (NYSE:MXL), a leading provider of radio-frequency, mixed-signal and high-performance analog integrated circuits for the connected home, wired and wireless infrastructure, and industrial and multi-market applications, today announced financial results for the second quarter ended June 30, 2017.

### Management Commentary

“We are pleased to announce the financial results of a very exciting second quarter in 2017. In the second quarter, we delivered record GAAP revenue of \$104.2 million, even after a \$5.2 million revenue elimination under acquisition-related purchase price accounting. Our strong revenue results were driven by sequential growth in both our network infrastructure and connected home applications, and included initial contributions from our recent acquisitions of Marvell's G.hn wireless connectivity business, and Exar Corporation, or Exar. With the addition of the G.hn wireline connectivity assets acquired from Marvell, we are better positioned to address the needs of our connected home partners, while significantly expanding our served addressable market for connectivity solutions beyond MoCA. Exar's high-performance analog product portfolio, consisting of power management and interface solutions, is highly complementary to MaxLinear's organically developed broadband RF and mixed-signal digital SoC platform capabilities. As a result, we are uniquely positioned to address the analog and mixed-signal needs of an increasingly diverse tier-1 customer base with technology platforms spanning consumer, broadband, industrial, automotive, and network infrastructure markets. We are also pleased to have made our first prepayment of \$30.0 million against our term loan of \$425.0 million in July 2017,” commented Kishore Seendripu, Ph.D., Chairman and CEO.

### Second Quarter Financial Highlights

GAAP basis:

The second quarter 2017 results were uniquely influenced by the acquisitions and related purchase price accounting impacts of Marvell's G.hn business in April 2017 and Exar in May 2017, the \$425.0 million term loan issuance to fund the Exar transaction, and a large non-cash income tax benefit resulting from release of the valuation allowance against our U.S.

federal deferred tax assets during the three months ended June 30, 2017.

- Net revenue increased to \$104.2 million, which was impacted by elimination of Exar's deferred revenue of \$5.2 million under acquisition accounting, and which was up 17% sequentially and 2% year-on-year.
- GAAP gross margin was 49.1%, which was impacted by elimination of Exar's deferred profit of \$3.9 million under acquisition accounting as well as amortization of inventory step-ups to fair value and acquired intangibles totaling \$11.9 million, compared to 59.6% in the prior quarter, and 61.9% in the year ago quarter.
- GAAP operating expenses, inclusive of partial quarter contributions from the Marvell G.hn and Exar acquisitions and related purchase price accounting impacts, were \$66.9 million in the second quarter 2017, or 64% of revenue, compared to \$42.5 million in the prior quarter, and \$40.5 million in the year ago quarter.
- GAAP pre-tax losses were 17.8% of revenue, compared to income that was 11.8% of revenue in the prior quarter, and income that was 22.3% of revenue in the year ago quarter.
- GAAP tax benefit was \$29.5 million or 159.1% of pre-tax loss, and was impacted by \$50.1 million of reversal of a valuation allowance against certain of our deferred tax assets (with \$45.3 million of discrete benefit in the quarter).
- GAAP net income was \$11.0 million, compared to \$8.5 million in the prior quarter, and \$22.6 million in the year ago quarter.
- GAAP diluted earnings per share were \$0.16, compared to \$0.12 in the prior quarter, and \$0.33 in the year ago quarter.

Non-GAAP basis:

- Non-GAAP gross margin was 64.4%, when calculated on GAAP revenue of \$104.2 million, or 61.3% when calculated to adjust for the \$5.2 million of deferred revenue eliminated under Exar acquisition accounting, which was the basis for prior guidance. This compares to 62.7% in the prior quarter, and 63.8% in the year ago quarter.
- Non-GAAP operating expenses were \$36.9 million, or 35.4% of revenue, compared to \$30.1 million or 33.8% of revenue in the prior quarter, and \$30.6 million and 30.1% of revenue in the year ago quarter.
- Non-GAAP pre-tax margin was 26.4% of revenue, compared to 28.9% in the prior quarter, and 34.1% in the year ago quarter.
- Non-GAAP effective tax rate was 10.1% of non-GAAP pre-tax income and reflects the tax rate on expected cash taxes, compared to 9.9% in the prior quarter, and 2.2% in the year ago quarter.
- Non-GAAP net income was \$24.7 million, compared to \$23.2 million in the prior quarter, and \$33.9 million in the year ago quarter.
- Non-GAAP diluted earnings per share were \$0.35, compared to \$0.33 in the prior quarter, and \$0.50 in the year ago quarter.

## **Second Quarter 2017 Business Highlights**

- Completed the acquisition of G.hn Business from Marvell in April 2017 for \$21.0 million cash, expanding portfolio of connected home wireline backbone solutions.
- Completed the acquisition of Exar Corporation in May 2017 for \$452.3 million, net of Exar's \$235.8 million of cash at close, plus \$4.6 million in assumed vested stock-based awards for total consideration of \$692.7 million, funded with a \$425.0 million term loan

facility.

- Wave-2 G.hn Technology chosen by Comtrend for new powerline adapter with data rates up to 2 Gbps.
- Commenced production shipments of our technology leading highly integrated 28nm CMOS Microwave backhaul RF solution addressing 5 to 45Ghz frequencies.
- Commenced production shipments of EXAR force-touch solution into HTC's flagship u11 smartphone.
- Commenced production shipments of EXAR's point-of-load ("POL") power management solutions into tier-1 server platforms.
- Commenced shipments of technology leading MOCA 2.5 products with data rates up to 3 Gbps.
- Commenced production ramp of 1st DOCSIS 3.1 platform for major US cable operator.
- Commenced production ramp of G.Now solution with a major Asian telco.
- Achieved milestone of shipping 7M digital channel stacking components.
- Initial sampling of industry's first integrated tuner + ATSC demod for the US, Mexican, and South Korean markets.
- Commenced volume shipments of mmWave backhaul modem solution to a tier-1 Chinese OEM customer.

### **Third Quarter 2017 Business Outlook**

The company expects revenue in the third quarter to be in the range of \$114 million to \$118 million, and also estimates the following:

- GAAP and non-GAAP gross margin of approximately 45% and 61%, respectively.
- GAAP and non-GAAP operating expenses of approximately \$62 million and \$41 million, respectively.
- GAAP and non-GAAP cash tax rates of approximately 36.5% and 10%, respectively.

### **Webcast and Conference Call**

MaxLinear will host its second quarter financial results conference call today, August 8, 2017 at 1:30 p.m. Pacific Time (4:30 p.m. Eastern Time). To access this call, dial US toll free: 1-877-407-3109 / International: 1-201-493-6798. A live webcast of the conference call will be accessible from the investor relations section of the MaxLinear website at <http://investors.maxlinear.com>, and will be archived and available after the call at <http://investors.maxlinear.com> until August 22, 2017. A replay of the conference call will also be available until August 22, 2017 by dialing US toll free: 1-877-660-6853 / International: 1-201-612-7415 and Conference ID#: 13653123.

### **Cautionary Note Concerning Forward-Looking Statements**

*This press release contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements include, among others, statements concerning our future financial performance (including our current guidance for third quarter 2017 revenue and gross margin). These forward-looking statements involve known and unknown risks, uncertainties, and other factors that may cause actual results to be materially different from any future results expressed or implied by the forward-looking statements. Forward-looking statements are based on management's current, preliminary expectations and are subject to various risks and uncertainties. In particular, our future operating results are substantially dependent on our assumptions about market trends and conditions and our*

*expectations with respect to recently completed acquisitions. With respect to recently completed acquisitions, we face particular risks associated with our ability to integrate the acquired businesses and maintain relationships with employees, customers, and vendors. Exar's target markets and business operations differ substantially from those of MaxLinear, and we may be unable to realize anticipated strategic, financial, and operating synergies to the same relative extent as we were able to achieve in other recent acquisitions. In addition, our decisions with respect to all our acquisitions were based on management's current expectations with respect to the size of the available markets and growth opportunities presented by these acquisitions, all of which are subject to material risks and uncertainties. In connection with the acquisition of Exar, we incurred substantial acquisition-related indebtedness, which materially changed our financial profile and presents specific risks relating to our ability to service interest and principal payments and limitations on our operating flexibility based on operating covenants in the applicable term loan agreements, including (without limitation) debt covenant restrictions that limit our ability to obtain additional financing, issue guarantees, create liens, make certain restricted payments or repay certain obligations or to pursue future acquisitions. Additional risks and uncertainties arising from our operations generally and our recently completed acquisitions include intense competition in our industry; our dependence on a limited number of customers for a substantial portion of our revenues; uncertainties concerning how end user markets for our products will develop; potential uncertainties arising from continued consolidation among cable television and satellite operators in our target markets and continued consolidation among competitors within the semiconductor industry generally; our ability to develop and introduce new and enhanced products on a timely basis and achieve market acceptance of those products, particularly as we seek to expand outside of our historic markets; potential decreases in average selling prices for our products; risks relating to intellectual property protection and the prevalence of intellectual property litigation in our industry; indemnification obligations of Exar arising from a recent divestiture; the impact on our financial condition of the incurred acquisition indebtedness and cash usage arising from the Exar transaction; our reliance on a limited number of third party manufacturers; and our lack of long-term supply contracts and dependence on limited sources of supply. In addition to these risks and uncertainties, investors should review the risks and uncertainties contained in our filings with the Securities and Exchange Commission (SEC), including our most recent Annual Report on Form 10-K for the year ended December 31, 2016 filed with the SEC on February 9, 2017, our Quarterly Report on Form 10-Q for the quarter ended March 31, 2017, and our Current Reports on Form 8-K, as well as the information to be set forth under the caption "Risk Factors" in MaxLinear's Quarterly Report on Form 10-Q for the quarter ended June 30, 2017, which we expect to file shortly. All forward-looking statements are based on the estimates, projections and assumptions of management as of August 8, 2017, and MaxLinear is under no obligation (and expressly disclaims any such obligation) to update or revise any forward-looking statements whether as a result of new information, future events, or otherwise.*

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

To supplement our unaudited consolidated financial statements presented on a basis consistent with GAAP, we disclose certain non-GAAP financial measures, including non-GAAP gross margin, operating expenses, operating expenses as a percentage of revenue, pre-tax margins, effective tax rate, net income and diluted earnings per share. These supplemental measures include the gross margin impact of Exar's deferred profit eliminated

in purchase price accounting and exclude the effects of (i) stock-based compensation expense; (ii) an accrual related to our performance based bonus plan for 2017, which we currently intend to settle in shares of our common stock; (iii) accruals related to our performance based bonus plan for 2016, which we settled in shares of our class A common stock in 2016 and 2017; (iv) amortization of purchased intangible assets and inventory step up; (v) depreciation of fixed assets step-up; (vi) restricted merger proceeds and contingent consideration and incentive award; (vii) acquisition and integration costs related to our recently completed acquisitions; (viii) professional fees and settlement costs related to our previously disclosed IP and commercial litigation matters; (ix) severance and other restructuring charges; and (x) non-cash income tax benefits and expenses. These non-GAAP measures are not in accordance with and do not serve as an alternative for GAAP. We believe that these non-GAAP measures have limitations in that they do not reflect all of the amounts associated with our GAAP results of operations. These non-GAAP measures should only be viewed in conjunction with corresponding GAAP measures. We compensate for the limitations of non-GAAP financial measures by relying upon GAAP results to gain a complete picture of our performance.

We believe that non-GAAP financial measures can provide useful information to both management and investors by excluding certain non-cash and other one-time expenses that are not indicative of our core operating results. Among other uses, our management uses non-GAAP measures to compare our performance relative to forecasts and strategic plans and to benchmark our performance externally against competitors. In addition, management's incentive compensation will be determined in part using these non-GAAP measures because we believe non-GAAP measures better reflect our core operating performance.

The following are explanations of each type of adjustment that we incorporate into non-GAAP financial measures:

Stock-based compensation expense relates to equity incentive awards granted to our employees, directors, and consultants. Our equity incentive plans are important components of our employee incentive compensation arrangements and are reflected as expenses in our GAAP results. Stock-based compensation expense has been and will continue to be a significant recurring expense for MaxLinear.

Bonuses under our executive and non-executive bonus programs have been excluded from our non-GAAP net income for all periods reported. Bonus payments for the first and second half of the 2016 performance periods were settled through the issuance of shares of Class A common stock under our equity incentive plans in August 2016 and February 2017, respectively. We currently expect that bonus awards under our fiscal 2017 program will be settled in common stock in the first quarter of fiscal 2018. While we include the dilutive impact of equity awards in weighted average shares outstanding, the expense associated with stock-based awards reflects a non-cash charge that we exclude from non-GAAP net income.

Expenses incurred in relation to acquisitions include amortization of purchased intangible assets and step-up of inventory to fair value, depreciation of step-up of property and equipment to fair value, acquisition and integration costs primarily consisting of professional and consulting fees, incentive awards, and restricted merger proceeds which represent the change in fair value of contingent consideration related to a 2014 acquisition and one-time

impact on gross margin from elimination of Exar's deferred profit in purchase price accounting.

Restructuring charges incurred are related to our restructuring plans which address issues primarily relating to the integration of the Company and acquired businesses or internal operations and primarily include severance and restructuring costs related to exiting certain facilities.

Expenses incurred in relation to our intellectual property and commercial litigation include professional fees incurred.

Income tax benefits and expenses that do not affect cash income taxes payable.

Reconciliations of non-GAAP measures for the historic periods disclosed in this press release appear below. Because of the inherent uncertainty associated with our ability to project future charges, particularly related to stock-based compensation and its related tax effects as well as potential impairments, we have not provided a reconciliation for non-GAAP guidance provided for the third quarter 2017.

### About MaxLinear, Inc.

MaxLinear, Inc. (NYSE:MXL) is a leading provider of radio frequency (RF) and mixed-signal and high-performance analog integrated circuits for the connected home, wired and wireless infrastructure, and industrial and multi-market applications. MaxLinear is headquartered in Carlsbad, California. For more information, please visit [www.maxlinear.com](http://www.maxlinear.com).

MXL is MaxLinear's registered trademark. Other trademarks appearing herein are the property of their respective owners.

**MAXLINEAR, INC.**  
**UNAUDITED GAAP CONSOLIDATED STATEMENTS OF INCOME**  
(in thousands, except per share data)

|  | <b>Three Months Ended</b> |                       |                      |
|--|---------------------------|-----------------------|----------------------|
|  | <b>June 30, 2017</b>      | <b>March 31, 2017</b> | <b>June 30, 2016</b> |
| Net revenue                                    | \$ 104,175                | \$ 88,841             | \$ 101,687           |
| Cost of net revenue                            | 53,071                    | 35,917                | 38,774               |
| Gross profit                                   | 51,104                    | 52,924                | 62,913               |
| Operating expenses:                            |                           |                       |                      |
| Research and development                       | 29,015                    | 23,878                | 24,037               |
| Selling, general and administrative            | 31,338                    | 18,613                | 16,505               |
| Restructuring charges                          | 6,546                     | —                     | —                    |
| Total operating expenses                       | 66,899                    | 42,491                | 40,542               |
| Income (loss) from operations                  | (15,795 )                 | 10,433                | 22,371               |
| Interest income                                | 64                        | 195                   | 167                  |
| Interest expense                               | (2,201 )                  | —                     | —                    |
| Other income (expense), net                    | (618 )                    | (144 )                | 124                  |
| Total interest and other income (expense), net | (2,755 )                  | 51                    | 291                  |
| Income (loss) before income taxes              | (18,550 )                 | 10,484                | 22,662               |
| Income tax provision (benefit)                 | (29,515 )                 | 2,021                 | 78                   |

|  |           |          |           |
|--|-----------|----------|-----------|
| Net income                                   | \$ 10,965 | \$ 8,463 | \$ 22,584 |
| Net income per share:                        |           |          |           |
| Basic  | \$ 0.17   | \$ 0.13  | \$ 0.36   |
| Diluted                                      | \$ 0.16   | \$ 0.12  | \$ 0.33   |
| Shares used to compute net income per share: |           |          |           |
| Basic  | 65,889    | 65,238   | 63,470    |
| Diluted                                      | 69,645    | 69,149   | 67,520    |

**MAXLINEAR, INC.**  
**UNAUDITED GAAP CONSOLIDATED STATEMENTS OF INCOME**  
(in thousands, except per share data)

|  | <b>Six Months Ended</b> |                      |
|--|-------------------------|----------------------|
|  | <b>June 30, 2017</b>    | <b>June 30, 2016</b> |
| Net revenue                                    | \$ 193,016              | \$ 204,372           |
| Cost of net revenue                            | 88,988                  | 80,289               |
| Gross profit                                   | 104,028                 | 124,083              |
| Operating expenses:                            |                         |                      |
| Research and development                       | 52,893                  | 47,789               |
| Selling, general and administrative            | 49,951                  | 30,115               |
| Restructuring charges                          | 6,546                   | 2,106                |
| Total operating expenses                       | 109,390                 | 80,010               |
| Income (loss) from operations                  | (5,362 )                | 44,073               |
| Interest income                                | 259                     | 337                  |
| Interest expense                               | (2,201 )                | —                    |
| Other expense, net                             | (762 )                  | (74 )                |
| Total interest and other income (expense), net | (2,704 )                | 263                  |
| Income (loss) before income taxes              | (8,066 )                | 44,336               |
| Income tax provision (benefit)                 | (27,494 )               | 1,071                |
| Net income                                     | \$ 19,428               | \$ 43,265            |
| Net income per share:                          |                         |                      |
| Basic  | \$ 0.30                 | \$ 0.69              |
| Diluted  | \$ 0.28                 | \$ 0.64              |
| Shares used to compute net income per share:   |                         |                      |
| Basic  | 65,564                  | 63,056               |
| Diluted  | 69,398                  | 67,110               |

**MAXLINEAR, INC.**  
**UNAUDITED GAAP CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(in thousands)

| <b>Three Months Ended</b> |                  |                 |
|---------------------------|------------------|-----------------|
| <b>June 30,</b>           | <b>March 31,</b> | <b>June 30,</b> |
| <b>2017</b>               | <b>2017</b>      | <b>2016</b>     |

**Operating Activities**

|   |                  |                  |                   |
|---|------------------|------------------|-------------------|
| Net income  | \$ 10,965        | 8,463            | \$ 22,584         |
| Adjustments to reconcile net income to cash provided by (used in) operating activities: |                  |                  |                   |
| Amortization and depreciation   | 18,261           | 6,899            | 4,163             |
| Provision for losses on accounts receivable   | —                | 87               | —                 |
| Amortization (accretion) of investment premiums (discount), net                         | (107 )           | 47               | (66 )             |
| Amortization of inventory step-up   | 5,635            | —                | 336               |
| Amortization of debt issuance costs   | 175              | —                | —                 |
| Stock-based compensation  | 11,628           | 5,474            | 5,102             |
| Deferred income taxes   | (53,297 )        | 155              | (100 )            |
| (Gain) loss on disposal of property and equipment                                       | 3                | (88 )            | 48                |
| (Gain) loss on sale of available-for-sale securities                                    | 38               | —                | (50 )             |
| (Gain) loss on foreign currency   | 898              | (216 )           | (170 )            |
| Excess tax benefits on stock-based awards   | (2,376 )         | (914 )           | (3,549 )          |
| Change in fair value of contingent consideration  | —                | —                | 24                |
| Changes in operating assets and liabilities:  |                  |                  |                   |
| Accounts receivable   | (13,496 )        | (7,436 )         | (3,300 )          |
| Inventory   | (2,289 )         | (5,102 )         | 4,396             |
| Prepaid expenses and other assets   | 4,385            | 825              | 1,611             |
| Accounts payable, accrued expenses and other current liabilities                        | 7,610            | 7,952            | 1,887             |
| Accrued compensation  | (1,664 )         | 382              | 309               |
| Deferred revenue and deferred profit  | 7,633            | (307 )           | (725 )            |
| Accrued price protection liability  | 2,676            | 6,771            | (173 )            |
| Other long-term liabilities   | (3,768 )         | (320 )           | 18                |
| Net cash provided by (used in) operating activities <sup>(1)</sup>                      | (7,090 )         | 22,672           | 32,345            |
| <b>Investing Activities</b>   |                  |                  |                   |
| Purchases of property and equipment   | (1,155 )         | (743 )           | (1,488 )          |
| Purchases of intangible assets  | (5,205 )         | (120 )           | (390 )            |
| Cash used in acquisition, net of cash acquired  | (473,304 )       | —                | (21,000 )         |
| Purchases of available-for-sale securities  | —                | (30,577 )        | (9,504 )          |
| Maturities of available-for-sale securities   | 63,761           | 20,785           | 70,711            |
| Net cash provided by (used in) investing activities                                     | (415,903 )       | (10,655 )        | 38,329            |
| <b>Financing Activities</b>   |                  |                  |                   |
| Repurchases of common stock   | —                | (334 )           | —                 |
| Net proceeds from issuance of common stock  | 7,657            | 361              | 2,558             |
| Minimum tax withholding paid on behalf of employees for restricted stock units          | (3,496 )         | (4,903 )         | (2,501 )          |
| Proceeds from issuance of debt  | 416,846          | —                | —                 |
| Net cash provided by (used in) financing activities                                     | 421,007          | (4,876 )         | 57                |
| Effect of exchange rate changes on cash and cash equivalents                            | 839              | 1,201            | 11                |
| Increase (decrease) in cash, cash equivalents and restricted cash                       | (1,147 )         | 8,342            | 70,742            |
| Cash, cash equivalents and restricted cash at beginning of period                       | 91,238           | 82,896           | 76,840            |
| Cash, cash equivalents and restricted cash at end of period                             | <u>\$ 90,091</u> | <u>\$ 91,238</u> | <u>\$ 147,582</u> |

(1) Net cash used in operating activities for the three months ended June 30, 2017 of \$7.1 million includes the impact of payments of \$18.0 million in assumed Exar pre-close liabilities and \$7.6 million in aggregate transaction and cash restructuring costs.



**MAXLINEAR, INC.**  
**UNAUDITED GAAP CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(in thousands)

|  | <b>Six Months Ended</b>  |                          |
|--|--------------------------|--------------------------|
|  | <b>June 30,<br/>2017</b> | <b>June 30,<br/>2016</b> |
| <b>Operating Activities</b>  |                          |                          |
| Net income   | \$ 19,428                | \$ 43,265                |
| Adjustments to reconcile net income to cash provided by operating activities:  |                          |                          |
| Amortization and depreciation  | 25,160                   | 9,935                    |
| Provision for losses on accounts receivable                                    | 87                       | —                        |
| Amortization (accretion) of investment premiums (discount), net                | (60 )                    | 83                       |
| Amortization of inventory step-up  | 5,635                    | 336                      |
| Amortization of debt issuance costs  | 175                      | —                        |
| Stock-based compensation   | 17,102                   | 10,211                   |
| Deferred income taxes  | (53,142 )                | 133                      |
| (Gain) loss on disposal of property and equipment                              | (85 )                    | 48                       |
| (Gain) loss on sale of available-for-sale securities                           | 38                       | (50 )                    |
| (Gain) loss on foreign currency  | 682                      | (46 )                    |
| Excess tax benefits on stock-based awards                                      | (3,290 )                 | (5,114 )                 |
| Change in fair value of contingent consideration                               | —                        | 110                      |
| Changes in operating assets and liabilities:                                   |                          |                          |
| Accounts receivable  | (20,932 )                | (1,941 )                 |
| Inventory  | (7,391 )                 | 7,418                    |
| Prepaid expenses and other assets  | 5,210                    | (805 )                   |
| Accounts payable, accrued expenses and other current liabilities               | 15,562                   | 4,967                    |
| Accrued compensation   | (1,282 )                 | 3,540                    |
| Deferred revenue and deferred profit   | 7,326                    | 1,732                    |
| Accrued price protection liability   | 9,447                    | (1,756 )                 |
| Other long-term liabilities  | (4,088 )                 | (767 )                   |
| Net cash provided by operating activities                                      | 15,582                   | 71,299                   |
| <b>Investing Activities</b>  |                          |                          |
| Purchases of property and equipment  | (1,898 )                 | (4,710 )                 |
| Purchases of intangible assets   | (5,325 )                 | (390 )                   |
| Cash used in acquisition, net of cash acquired                                 | (473,304 )               | (21,000 )                |
| Purchases of available-for-sale securities                                     | (30,577 )                | (47,277 )                |
| Maturities of available-for-sale securities                                    | 84,546                   | 81,011                   |
| Net cash provided by (used in) investing activities                            | (426,558 )               | 7,634                    |
| <b>Financing Activities</b>  |                          |                          |
| Repurchases of common stock  | (334 )                   | (3 )                     |
| Net proceeds from issuance of common stock                                     | 8,018                    | 4,285                    |
| Minimum tax withholding paid on behalf of employees for restricted stock units | (8,399 )                 | (3,593 )                 |
| Proceeds from issuance of debt   | 416,846                  | —                        |
| Net cash provided by financing activities                                      | 416,131                  | 689                      |
| Effect of exchange rate changes on cash and cash equivalents                   | 2,040                    | 4                        |
| Increase in cash, cash equivalents and restricted cash                         | 7,195                    | 79,626                   |
| Cash, cash equivalents and restricted cash at beginning of period              | 82,896                   | 67,956                   |
| Cash, cash equivalents and restricted cash at end of period                    | <u>\$ 90,091</u>         | <u>\$ 147,582</u>        |

**MAXLINEAR, INC.**  
**UNAUDITED GAAP CONDENSED CONSOLIDATED BALANCE SHEETS**  
(in thousands)

|   | <u>June 30, 2017</u> | <u>March 31, 2017</u> | <u>June 30, 2016</u> |
|---|----------------------|-----------------------|----------------------|
| <b>Assets</b>                               |                      |                       |                      |
| Current assets:                             |                      |                       |                      |
| Cash and cash equivalents <sup>(1)</sup>    | \$ 87,568            | \$ 89,121             | \$ 145,804           |
| Short-term restricted cash <sup>(1)</sup>   | 615                  | 615                   | —                    |
| Short-term investments, available-for-sale  | —                    | 63,637                | 28,899               |
| Accounts receivable, net                    | 82,695               | 57,836                | 44,340               |
| Inventory                                   | 77,559               | 31,685                | 25,604               |
| Prepaid expenses and other current assets   | 9,732                | 5,535                 | 4,982                |
| Total current assets                        | <u>258,169</u>       | <u>248,429</u>        | <u>249,629</u>       |
| Long-term restricted cash <sup>(1)</sup>    | 1,908                | 1,502                 | 1,778                |
| Property and equipment, net                 | 24,469               | 19,162                | 21,134               |
| Long-term investments, available-for-sale   | —                    | —                     | —                    |
| Intangible assets, net                      | 353,524              | 99,679                | 60,675               |
| Goodwill                                    | 238,838              | 75,673                | 56,714               |
| Deferred tax assets                         | 53,878               | 118                   | 96                   |
| Other long-term assets                      | 6,841                | 1,534                 | 1,886                |
| Total assets                                | <u>\$ 937,627</u>    | <u>\$ 446,097</u>     | <u>\$ 391,912</u>    |
| <b>Liabilities and stockholders' equity</b> |                      |                       |                      |
| Current liabilities                         | \$ 110,197           | \$ 64,555             | \$ 55,620            |
|   | 415,032              | —                     | —                    |
| Long-term debt                              |                      |                       |                      |
| Other long-term liabilities                 | 14,491               | 15,529                | 15,104               |
| Total stockholders' equity                  | <u>397,907</u>       | <u>366,013</u>        | <u>321,188</u>       |
| Total liabilities and stockholders' equity  | <u>\$ 937,627</u>    | <u>\$ 446,097</u>     | <u>\$ 391,912</u>    |

(1) Certain reclassifications for cash restricted in connection with guarantees for certain office leases have been made to prior periods to conform to the current period presentation.

**MAXLINEAR, INC.**  
**UNAUDITED RECONCILIATION OF NON-GAAP ADJUSTMENTS**  
(in thousands, except per share data)

|                                   | <b>Three Months Ended</b> |                           |                          |
|-----------------------------------|---------------------------|---------------------------|--------------------------|
|                                   | <u>June 30,<br/>2017</u>  | <u>March 31,<br/>2017</u> | <u>June 30,<br/>2016</u> |
| GAAP gross profit                 | \$ 51,104                 | \$ 52,924                 | \$ 62,913                |
| Stock-based compensation          | 79                        | 59                        | 51                       |
| Performance based equity          | 28                        | 42                        | (165 )                   |
| Amortization of inventory step-up | 5,635                     | —                         | 336                      |

|  |                  |                  |                  |
|--|------------------|------------------|------------------|
| Amortization of purchased intangible assets                    | 6,260            | 2,684            | 1,787            |
| Depreciation of fixed asset step-up                            | 112              | —                | —                |
| Deferred profit eliminated in purchase price accounting        | 3,872            | —                | —                |
| Non-GAAP gross profit  | <u>67,090</u>    | <u>55,709</u>    | <u>64,922</u>    |
| GAAP R&D expenses  | 29,015           | 23,878           | 24,037           |
| Stock-based compensation                                       | (4,011 )         | (3,493 )         | (3,136 )         |
| Incentive award compensation                                   | —                | —                | (168 )           |
| Performance based equity                                       | (1,055 )         | (954 )           | (1,555 )         |
| Amortization of purchased intangible assets                    | (97 )            | (96 )            | (148 )           |
| Depreciation of fixed asset step-up                            | (760 )           | —                | —                |
| Restricted merger proceeds and contingent consideration        | —                | —                | (208 )           |
| Non-GAAP R&D expenses  | <u>23,092</u>    | <u>19,335</u>    | <u>18,822</u>    |
| GAAP SG&A expenses   | 31,338           | 18,613           | 16,505           |
| Stock-based compensation                                       | (3,024 )         | (1,922 )         | (1,696 )         |
| Incentive award compensation                                   | —                | —                | (51 )            |
| Performance based equity                                       | (482 )           | (578 )           | (787 )           |
| Amortization of purchased intangible assets                    | (8,262 )         | (1,881 )         | (662 )           |
| Depreciation of fixed asset step-up                            | (56 )            | —                | —                |
| Acquisition and integration costs                              | (5,609 )         | (3,394 )         | (1,338 )         |
| Restricted merger proceeds and contingent consideration        | —                | —                | (24 )            |
| IP litigation costs, net                                       | (125 )           | (105 )           | (197 )           |
| Non-GAAP SG&A expenses   | <u>13,780</u>    | <u>10,733</u>    | <u>11,750</u>    |
| GAAP restructuring expenses                                    | 6,546            | —                | —                |
| Restructuring charges  | (6,546 )         | —                | —                |
| Non-GAAP restructuring expenses                                | <u>—</u>         | <u>—</u>         | <u>—</u>         |
| GAAP and non-GAAP interest and other income (expense), net     | (2,755 )         | 51               | 291              |
| GAAP income (loss) before income taxes                         | (18,550 )        | 10,484           | 22,662           |
| Total non-GAAP adjustments                                     | 46,013           | 15,208           | 11,979           |
| Non-GAAP income before income taxes                            | <u>27,463</u>    | <u>25,692</u>    | <u>34,641</u>    |
| GAAP income tax provision (benefit)                            | (29,515 )        | 2,021            | 78               |
| Adjustment for non-cash tax benefits/expenses                  | 32,300           | 510              | 670              |
| Non-GAAP income tax provision                                  | <u>2,785</u>     | <u>2,531</u>     | <u>748</u>       |
| GAAP net income  | 10,965           | 8,463            | 22,584           |
| Total non-GAAP adjustments before income taxes                 | 46,013           | 15,208           | 11,979           |
| Less: total tax adjustments                                    | 32,300           | 510              | 670              |
| Non-GAAP net income  | <u>\$ 24,678</u> | <u>\$ 23,161</u> | <u>\$ 33,893</u> |
| Shares used in computing non-GAAP basic net income per share   | <u>65,889</u>    | <u>65,238</u>    | <u>63,470</u>    |
| Shares used in computing non-GAAP diluted net income per share | <u>69,645</u>    | <u>69,149</u>    | <u>67,520</u>    |
| Non-GAAP basic net income per share                            | <u>\$ 0.37</u>   | <u>\$ 0.36</u>   | <u>\$ 0.53</u>   |
| Non-GAAP diluted net income per share                          | <u>\$ 0.35</u>   | <u>\$ 0.33</u>   | <u>\$ 0.50</u>   |

**MAXLINEAR, INC.**  
**UNAUDITED RECONCILIATION OF NON-GAAP ADJUSTMENTS**  
(in thousands, except per share data)

|  | <b>Six Months Ended</b> |                      |
|--|-------------------------|----------------------|
|  | <b>June 30, 2017</b>    | <b>June 30, 2016</b> |
| GAAP gross profit  | \$ 104,028              | \$ 124,083           |
| Stock-based compensation                                   | 138                     | 94                   |
| Performance based equity                                   | 70                      | (64 )                |
| Amortization of inventory step-up                          | 5,635                   | 336                  |
| Amortization of purchased intangible assets                | 8,944                   | 3,369                |
| Depreciation of fixed asset step-up                        | 112                     | —                    |
| Deferred profit eliminated in purchase price accounting    | 3,872                   | —                    |
| Non-GAAP gross profit                                      | <u>122,799</u>          | <u>127,818</u>       |
| GAAP R&D expenses  | 52,893                  | 47,789               |
| Stock-based compensation                                   | (7,504 )                | (6,199 )             |
| Incentive award compensation                               | —                       | (384 )               |
| Performance based equity                                   | (2,009 )                | (2,736 )             |
| Amortization of purchased intangible assets                | (193 )                  | (244 )               |
| Depreciation of fixed asset step-up                        | (760 )                  | —                    |
| Restricted merger proceeds and contingent consideration    | —                       | (416 )               |
| Non-GAAP R&D expenses                                      | <u>42,427</u>           | <u>37,810</u>        |
| GAAP SG&A expenses   | 49,951                  | 30,115               |
| Stock-based compensation                                   | (4,946 )                | (3,433 )             |
| Incentive award compensation                               | —                       | (101 )               |
| Performance based equity                                   | (1,060 )                | (1,382 )             |
| Amortization of purchased intangible assets                | (10,143 )               | (958 )               |
| Depreciation of fixed asset step-up                        | (56 )                   | —                    |
| Acquisition and integration costs                          | (9,003 )                | (1,262 )             |
| Restricted merger proceeds and contingent consideration    | —                       | (110 )               |
| IP litigation costs, net                                   | (230 )                  | (659 )               |
| Non-GAAP SG&A expenses                                     | <u>24,513</u>           | <u>22,210</u>        |
| GAAP restructuring expenses                                | 6,546                   | 2,106                |
| Restructuring charges                                      | (6,546 )                | (2,106 )             |
| Non-GAAP restructuring expenses                            | <u>—</u>                | <u>—</u>             |
| GAAP and non-GAAP interest and other income (expense), net | (2,704 )                | 263                  |
| GAAP income (loss) before income taxes                     | (8,066 )                | 44,336               |
| Total non-GAAP adjustments                                 | 61,221                  | 23,725               |
| Non-GAAP income before income taxes                        | <u>53,155</u>           | <u>68,061</u>        |
| GAAP income tax provision (benefit)                        | (27,494 )               | 1,071                |
| Adjustment for non-cash tax benefits/expenses              | 32,810                  | 399                  |
| Non-GAAP income tax provision                              | <u>5,316</u>            | <u>1,470</u>         |

|  |                  |                  |
|--|------------------|------------------|
| GAAP net income  | 19,428           | 43,265           |
| Total non-GAAP adjustments before income taxes                 | 61,221           | 23,725           |
| Less: total tax adjustments                                    | 32,810           | 399              |
| Non-GAAP net income  | <u>\$ 47,839</u> | <u>\$ 66,591</u> |
| Shares used in computing non-GAAP basic net income per share   | <u>65,564</u>    | <u>63,056</u>    |
| Shares used in computing non-GAAP diluted net income per share | <u>69,398</u>    | <u>67,110</u>    |
| Non-GAAP basic net income per share                            | <u>\$ 0.73</u>   | <u>\$ 1.06</u>   |
| Non-GAAP diluted net income per share                          | <u>\$ 0.69</u>   | <u>\$ 0.99</u>   |

**MAXLINEAR, INC.**  
**UNAUDITED RECONCILIATION OF GAAP TO NON-GAAP FINANCIAL MEASURES**

|   | <b>Three Months Ended</b> |                           |                          |
|---|---------------------------|---------------------------|--------------------------|
|   | <b>June 30,<br/>2017</b>  | <b>March 31,<br/>2017</b> | <b>June 30,<br/>2016</b> |
| GAAP gross profit                                       | 49.1 %                    | 59.6 %                    | 61.9 %                   |
| Stock-based compensation                                | 0.1 %                     | 0.1 %                     | 0.1 %                    |
| Performance based equity                                | — %                       | — %                       | (0.2 )%                  |
| Amortization of inventory step-up                       | 5.4 %                     | — %                       | 0.3 %                    |
| Amortization of purchased intangible assets             | 6.0 %                     | 3.0 %                     | 1.8 %                    |
| Depreciation of fixed asset step-up                     | 0.1 %                     | — %                       | — %                      |
| Deferred profit eliminated in purchase price accounting | 3.7 %                     | — %                       | — %                      |
| Non-GAAP gross profit                                   | <u>64.4 %</u>             | <u>62.7 %</u>             | <u>63.8 %</u>            |
| GAAP R&D expenses                                       | 27.9 %                    | 26.9 %                    | 23.6 %                   |
| Stock-based compensation                                | (3.9 )%                   | (3.9 )%                   | (3.1 )%                  |
| Incentive award compensation                            | — %                       | — %                       | (0.2 )%                  |
| Performance based equity                                | (1.0 )%                   | (1.1 )%                   | (1.5 )%                  |
| Amortization of purchased intangible assets             | (0.1 )%                   | (0.1 )%                   | (0.1 )%                  |
| Depreciation of fixed asset step-up                     | (0.7 )%                   | — %                       | — %                      |
| Restricted merger proceeds and contingent consideration | — %                       | — %                       | (0.2 )%                  |
| Non-GAAP R&D expenses                                   | <u>22.2 %</u>             | <u>21.8 %</u>             | <u>18.5 %</u>            |
| GAAP SG&A expenses                                      | 30.1 %                    | 21.0 %                    | 16.2 %                   |
| Stock-based compensation                                | (2.9 )%                   | (2.2 )%                   | (1.7 )%                  |
| Incentive award compensation                            | — %                       | — %                       | — %                      |
| Performance based equity                                | (0.5 )%                   | (0.7 )%                   | (0.8 )%                  |
| Amortization of purchased intangible assets             | (7.9 )%                   | (2.1 )%                   | (0.6 )%                  |
| Depreciation of fixed asset step-up                     | (0.1 )%                   | — %                       | — %                      |
| Acquisition and integration costs                       | (5.4 )%                   | (3.8 )%                   | (1.3 )%                  |
| Restricted merger proceeds and contingent consideration | — %                       | — %                       | — %                      |
| IP litigation costs, net                                | (0.1 )%                   | (0.1 )%                   | (0.2 )%                  |
| Non-GAAP SG&A expenses                                  | <u>13.2 %</u>             | <u>12.1 %</u>             | <u>11.6 %</u>            |
| GAAP restructuring expenses                             | 6.3 %                     | — %                       | — %                      |
| Restructuring charges                                   | <u>(6.3 )%</u>            | <u>— %</u>                | <u>— %</u>               |

|  |          |        |        |
|--|----------|--------|--------|
| Non-GAAP restructuring expenses                            | — %      | — %    | — %    |
| GAAP and non-GAAP interest and other income (expense), net | (2.6 )%  | 0.1 %  | 0.3 %  |
| GAAP income (loss) before income taxes                     | (17.8 )% | 11.8 % | 22.3 % |
| Total non-GAAP adjustments before income taxes             | 44.1 %   | 17.1 % | 11.8 % |
| Non-GAAP income before income taxes                        | 26.4 %   | 28.9 % | 34.1 % |
| GAAP income tax provision (benefit)                        | (28.3 )% | 2.3 %  | 0.1 %  |
| Adjustment for non-cash tax benefits/expenses              | 30.9 %   | 0.5 %  | 0.7 %  |
| Non-GAAP income tax provision                              | 2.7 %    | 2.8 %  | 0.8 %  |
| GAAP net income  | 10.5 %   | 9.5 %  | 22.2 % |
| Total non-GAAP adjustments before income taxes             | 44.1 %   | 17.1 % | 11.8 % |
| Less: total tax adjustments                                | 30.9 %   | 0.5 %  | 0.7 %  |
| Non-GAAP net income  | 23.7 %   | 26.1 % | 33.3 % |

**MAXLINEAR, INC.**  
**UNAUDITED RECONCILIATION OF GAAP TO NON-GAAP FINANCIAL MEASURES**

|   | <b>Six Months Ended</b> |                      |
|---|-------------------------|----------------------|
|   | <b>June 30, 2017</b>    | <b>June 30, 2016</b> |
| GAAP gross profit                                       | 53.9 %                  | 60.7 %               |
| Stock-based compensation                                | 0.1 %                   | — %                  |
| Performance based equity                                | — %                     | — %                  |
| Amortization of inventory step-up                       | 2.9 %                   | 0.2 %                |
| Amortization of purchased intangible assets             | 4.6 %                   | 1.6 %                |
| Depreciation of fixed asset step-up                     | 0.1 %                   | — %                  |
| Deferred profit eliminated in purchase price accounting | 2.0 %                   | — %                  |
| Non-GAAP gross profit                                   | 63.6 %                  | 62.5 %               |
| GAAP R&D expenses                                       | 27.4 %                  | 23.3 %               |
| Stock-based compensation                                | (3.9 )%                 | (3.0 )%              |
| Incentive award compensation                            | — %                     | (0.2 )%              |
| Performance based equity                                | (1.0 )%                 | (1.3 )%              |
| Amortization of purchased intangible assets             | (0.1 )%                 | (0.1 )%              |
| Depreciation of fixed asset step-up                     | (0.4 )%                 | — %                  |
| Restricted merger proceeds and contingent consideration | — %                     | (0.2 )%              |
| Non-GAAP R&D expenses                                   | 22.0 %                  | 18.5 %               |
| GAAP SG&A expenses                                      | 25.9 %                  | 14.7 %               |
| Stock-based compensation                                | (2.6 )%                 | (1.7 )%              |
| Performance based equity                                | (0.5 )%                 | (0.7 )%              |
| Amortization of purchased intangible assets             | (5.2 )%                 | (0.4 )%              |
| Depreciation of fixed asset step-up                     | (0.1 )%                 | — %                  |
| Acquisition and integration costs                       | (4.7 )%                 | (0.6 )%              |
| Restricted merger proceeds and contingent consideration | — %                     | (0.1 )%              |
| IP litigation costs, net                                | (0.1 )%                 | (0.3 )%              |

|  |          |         |
|--|----------|---------|
| Non-GAAP SG&A expenses                                     | 12.7 %   | 10.9 %  |
| GAAP restructuring expenses                                | 3.4 %    | 1.0 %   |
| Restructuring charges                                      | (3.4 )%  | (1.0 )% |
| Non-GAAP restructuring expenses                            | — %      | — %     |
| GAAP and non-GAAP interest and other income (expense), net | (1.4 )%  | 0.1 %   |
| GAAP income (loss) before income taxes                     | (4.2 )%  | 21.7 %  |
| Total non-GAAP adjustments before income taxes             | 31.7 %   | 11.6 %  |
| Non-GAAP income before income taxes                        | 27.5 %   | 33.3 %  |
| GAAP income tax provision (benefit)                        | (14.2 )% | 0.5 %   |
| Adjustment for non-cash tax benefits/expenses              | 16.9 %   | 0.2 %   |
| Non-GAAP income tax provision                              | 2.8 %    | 0.7 %   |
| GAAP net income  | 10.0 %   | 21.2 %  |
| Total non-GAAP adjustments before income taxes             | 31.7 %   | 11.6 %  |
| Less: total tax adjustments                                | 16.9 %   | 0.2 %   |
| Non-GAAP net income  | 24.8 %   | 32.6 %  |

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Source: MaxLinear Inc.