

QuickLogic Reports Fiscal 2020 Third Quarter Results

SAN JOSE, Calif., Nov. 4, 2020 /PRNewswire/ -- QuickLogic Corporation (NASDAQ: QUIK) ("QuickLogic" or the "Company"), a developer of ultra-low power multi-core voice enabled SoCs, embedded FPGA IP, and Endpoint AI solutions, today announced its financial results for the third quarter of fiscal 2020, ended September 27, 2020.



Recent Highlights

- SensiML now supports [QuickLogic's QuickFeather IoT Development Kit](#)
- SensiML Analytics Toolkit seamlessly integrated with [Google's TensorFlow Lite](#) for Microcontrollers
- SensiML supports AI-based algorithms running on [SensorTile Box IoT kit](#) from STMicroelectronics
- QuickLogic [joined CHIPS Alliance](#) to expand open source FPGA initiative and to make FPGA tools more accessible
- QuickLogic became a member of [OpenHW Group](#) to make hardware-based IP available to the open source ecosystem
- SensiML joined the [ARM AI Partner Program](#) to simplify the deployment of Machine Learning (ML) and AI on intelligent endpoint devices
- QuickLogic announced the availability of eFPGA technology on 28nm FD-SOI process and also became a member of the [Samsung SAFE™ IP Partner Program](#)

Fiscal 2020 Third Quarter Financial Results

Total revenue for the third quarter of 2020 was \$1.8 million, a decrease of 19% compared with the second quarter of 2020, and 18% compared with the third quarter of 2019. New product revenue was \$0.7 million in the third quarter of 2020, a decrease of 22% compared with the second quarter of 2020, and 37% compared with the third quarter of 2019. The decreases were primarily due to lower sales of display bridge and connectivity product revenue. Mature product revenue was \$1.1 million in the third quarter of 2020, down 17% compared with the second quarter of 2020, and flat compared with the third quarter of 2019.

Third quarter 2020 GAAP gross margin was 51.9%, compared with 45.7% in the second quarter of 2020, and 48.2% in the third quarter of 2019.

Third quarter 2020 non-GAAP gross margin was 53.9%, compared with 47.1% in the second quarter of 2020 and 48.9% in the third quarter of 2019.

Third quarter 2020 GAAP operating expenses of \$3.0 million improved from \$3.9 million in the second quarter of 2020, and \$5.2 million in the third quarter of 2019.

Third quarter 2020 non-GAAP operating expenses of \$2.6 million improved from \$3.2 million in the second quarter of 2020, and from \$4.5 million in the third quarter of 2019, due to updates to estimated restructuring charges.

Third quarter 2020 GAAP net loss was \$2.1 million, or \$0.19 per share, compared with a net loss of \$3.0 million, or \$0.35 per share, in the second quarter of 2020, and a net loss of \$4.3 million, or \$0.51 per share, in the third quarter of 2019.

Third quarter 2020 non-GAAP net loss was \$1.7 million, or \$0.15 per share, compared with a net loss of \$2.2 million, or \$0.26 per share, in the second quarter of 2020, and a net loss of \$3.5 million, or \$0.42 per share, in the third quarter of 2019.

Please see the section below titled "Non-GAAP Financial Measures" for an explanation of the Company's non-GAAP financial measures.

Conference Call

QuickLogic will hold a conference call at 2:30 p.m. Pacific Time / 5:30 p.m. Eastern Time today, November 4, 2020, to discuss its current financial results. The conference call will be webcast at QuickLogic's IR Site Events Page at <https://ir.quicklogic.com/ir-calendar>. To join the live conference, you may dial (877) 407-0792 and international participants should dial (201) 689-8263 by 2:15 p.m. Pacific Time. No Passcode is needed to join the conference call. A recording of the call will be available starting approximately one hour after completion. To access the recording, please call (412) 317-6671 and reference the passcode 13711703. The call recording, which can be accessed by phone, will be archived until Wednesday, November 11, 2020, and the webcast will be available for 12 months on the Company's website.

About QuickLogic

QuickLogic is a fabless semiconductor company that develops low power, multi-core semiconductor platforms and Intellectual Property (IP) for Artificial Intelligence (AI), voice and sensor processing. The solutions include an embedded FPGA IP (eFPGA) for hardware acceleration and pre-processing, and heterogeneous multi-core SoCs that integrate eFPGA with other processors and peripherals. The Analytics Toolkit from the Company's wholly-owned subsidiary, SensiML Corporation, completes the end-to-end solution with accurate sensor algorithms using AI technology. The full range of platforms, software tools and eFPGA IP enables the practical and efficient adoption of AI, voice and sensor processing across the multitude of mobile, wearable, hearable, consumer, industrial, edge and endpoint IoT applications. For more information, visit www.quicklogic.com and <https://www.quicklogic.com/blog/>.

QuickLogic uses its website (www.quicklogic.com), the company blog(<https://www.quicklogic.com/blog/>), corporate Twitter account (@QuickLogic_Corp), Facebook page(<https://www.facebook.com/QuickLogic>), and LinkedIn page(<https://www.linkedin.com/company/13512/>) as channels of distribution of information about its products, its planned financial and other announcements, its attendance at

upcoming investor and industry conferences, and other matters. Such information may be deemed material information, and QuickLogic may use these channels to comply with its disclosure obligations under Regulation FD. Therefore, investors should monitor the Company's website and its social media accounts in addition to following the Company's press releases, SEC filings, public conference calls, and webcasts.

Non-GAAP Financial Measures

QuickLogic reports financial information in accordance with United States Generally Accepted Accounting Principles, or U.S. GAAP, but believes that non-GAAP financial measures are helpful in evaluating its operating results and comparing its performance to comparable companies. Accordingly, the Company excludes charges related to stock-based compensation, restructuring, the effect of the write-off of long-lived assets and the tax effect on other comprehensive income in calculating non-GAAP (i) income (loss) from operations, (ii) net income (loss), (iii) net income (loss) per share, and (iv) gross margin percentage. The Company provides this non-GAAP information to enable investors to evaluate its operating results in a manner similar to how the Company analyzes its operating results and to provide consistency and comparability with similar companies in the Company's industry.

Management uses the non-GAAP measures, which exclude gains, losses and other charges that are considered by management to be outside of the Company's core operating results, internally to evaluate its operating performance against results in prior periods and its operating plans and forecasts. In addition, the non-GAAP measures are used to plan for the Company's future periods, and serve as a basis for the allocation of the Company's resources, management of operations and the measurement of profit-dependent cash and equity compensation paid to employees and executive officers.

Investors should note, however, that the non-GAAP financial measures used by QuickLogic may not be the same non-GAAP financial measures, and may not be calculated in the same manner, as that of other companies. QuickLogic does not itself, nor does it suggest that investors should, consider such non-GAAP financial measures alone or as a substitute for financial information prepared in accordance with U.S. GAAP. A reconciliation of U.S. GAAP financial measures to non-GAAP financial measures is included in the financial statements portion of this press release. Investors are encouraged to review the related U.S. GAAP financial measures and the reconciliation of non-GAAP financial measures with their most directly comparable U.S. GAAP financial measures.

Forward Looking Statements

This press release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements include, without limitation, expectations regarding our future business, and actual results may differ due to a variety of factors including: delays in the market acceptance of the Company's new products; the ability to convert design opportunities into customer revenue; our ability to replace revenue from end-of-life products; the level and timing of customer design activity; the market acceptance of our customers' products; the risk that new orders may not result in future revenue; our ability to introduce and produce new products based on advanced wafer technology on a timely basis; our ability to adequately market the low power, competitive pricing and short time-to-market of our new products; intense competition by competitors; our ability to hire and retain qualified personnel; our ability to capitalize on synergies with our

newly acquired subsidiary SensiML Corporation; changes in product demand or supply; general economic conditions; political events, international trade disputes, natural disasters and other business interruptions that could disrupt supply or delivery of, or demand for, the Company's products; the unpredictable and ongoing impact of the COVID-19 pandemic; and changes in tax rates and exposure to additional tax liabilities. These and other potential factors and uncertainties that could cause actual results to differ materially from the results contemplated or implied are described in more detail in the Company's public reports filed with the Securities and Exchange Commission (the "SEC"), including the risks discussed in the "Risk Factors" section in the Company's Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and in the Company's prior press releases, which are available on the Company's Investor Relations website at <http://ir.quicklogic.com/>, and on the SEC website at www.sec.gov. In addition, please note that the date of this press release is November 4, 2020, and any forward-looking statements contained herein are based on assumptions that we believe to be reasonable as of this date. We undertake no obligation to update these statements as a result of new information or future events.

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CODE: QUIK-E

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QUICKLOGIC CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share amounts)
(Unaudited)

	Three Months Ended			Nine Months Ended	
	September 27, 2020	September 29, 2019	June 28, 2020	September 27, 2020	September 29, 2019
Revenue	\$ 1,780	\$ 2,158	\$ 2,196	\$ 6,134	\$ 7,439
Cost of revenue	857	1,117	1,192	3,092	3,397
Gross profit	923	1,041	1,004	3,042	4,042
Operating expenses:					
Research and development	1,380	3,139	2,200	5,399	9,596
Selling, general and administrative	1,478	2,095	1,665	5,022	6,881
Restructuring expenses	111	—	34	624	—
Total operating expense	2,969	5,234	3,899	11,045	16,477
Loss from operations	(2,046)	(4,193)	(2,895)	(8,003)	(12,435)
Interest expense	(36)	(63)	(183)	(299)	(270)
Interest and other income, net	27	55	72	94	153
Loss before income taxes	(2,055)	(4,201)	(3,006)	(8,208)	(12,552)
Provision for (benefit from) income taxes	10	70	(27)	1	(171)
Net loss	\$ (2,065)	\$ (4,271)	\$ (2,979)	\$ (8,209)	\$ (12,381)
Net loss per share:					
Basic and Diluted (1)	\$ (0.19)	\$ (0.51)	\$ (0.35)	\$ (0.88)	\$ (1.66)
Weighted average shares:					
Basic and Diluted (1)	11,023	8,313	8,560	9,315	7,441

Note: Net loss equals to comprehensive loss for all periods presented.

(1) Net loss per share, and weighted average shares outstanding basic and diluted for the three and nine months ended September 29, 2019 are adjusted to reflect 1-for-14 reverse stock split effected on December 23, 2019.

QUICKLOGIC CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands)
(Unaudited)

	September 27, 2020	December 29, 2019
ASSETS		
Current assets:		
Cash, cash equivalents and restricted cash	\$ 24,685	\$ 21,548
Accounts receivable, net	1,115	1,991
Inventories	3,138	3,260
Other current assets	1,167	1,565
Total current assets	30,105	28,364
Property and equipment, net	563	830
Capitalized internal-use software, net	844	333
Right of use assets	1,995	2,370
Intangible assets, net	897	1,008
Goodwill	185	185
Other assets	279	314
TOTAL ASSETS	\$ 34,868	\$ 33,404
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Revolving line of credit	\$ 15,000	\$ 15,000
Trade payables	1,010	1,003
Accrued liabilities	1,368	1,133
Paycheck protection program loan, current portion	660	—
Deferred revenue	45	158
Current portion of capital lease obligations	709	704
Total current liabilities	18,792	17,998
Long-term liabilities:		
Paycheck protection program loan, less current portion	532	—
Capital lease obligations, less current portion	1,297	1,583
Total liabilities	20,621	19,581
Stockholders' equity:		
Common stock, par value	11	8
Additional paid-in capital	305,703	297,073
Accumulated deficit	(291,467)	(283,258)
Total stockholders' equity	14,247	13,823
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 34,868	\$ 33,404

QUICKLOGIC CORPORATION
SUPPLEMENTAL RECONCILIATIONS OF US GAAP AND NON-GAAP FINANCIAL MEASURES
(in thousands, except per share amounts and percentages)
(Unaudited)

	Three Months Ended			Nine Months Ended	
	September 27, 2020	September 29, 2019	June 28, 2020	September 27, 2020	September 29, 2019
US GAAP loss from operations	\$ (2,046)	\$ (4,193)	\$ (2,895)	\$ (8,003)	\$ (12,435)
Adjustment for stock-based compensation within:					
Cost of revenue	37	15	31	80	59
Research and development	51	521	486	73	1,708
Selling, general and administrative	170	212	224	448	723
Restructuring expenses and asset write-offs (1)	120	—	34	633	2
Non-GAAP loss from operations	\$ (1,668)	\$ (3,445)	\$ (2,120)	\$ (6,769)	\$ (9,943)
US GAAP net loss	\$ (2,065)	\$ (4,271)	\$ (2,979)	\$ (8,209)	\$ (12,381)
Adjustment for stock-based compensation within:					
Cost of revenue	37	15	31	80	59
Research and development	51	521	486	73	1,708
Selling, general and administrative	170	212	224	448	723
Restructuring expenses and asset write-offs (1)	120	—	34	633	2
Non-GAAP net loss	\$ (1,687)	\$ (3,523)	\$ (2,204)	\$ (6,975)	\$ (9,889)
US GAAP net loss per share, basic and diluted (2)	\$ (0.19)	\$ (0.51)	\$ (0.35)	\$ (0.88)	\$ (1.66)
Adjustment for stock-based compensation	0.03	0.09	0.09	0.07	0.33
Restructuring expenses and asset write-offs (1)	0.01	*	*	0.06	0
Non-GAAP net loss per share, basic and diluted	\$ (0.15)	\$ (0.42)	\$ (0.26)	\$ (0.75)	\$ (1.33)
US GAAP gross margin percentage	51.9 %	48.2 %	45.7 %	49.6 %	54.3 %
Adjustment for stock-based compensation included in cost of revenue	2.0 %	0.7 %	1.4 %	1.3 %	0.8 %
Non-GAAP gross margin percentage	53.9 %	48.9 %	47.1 %	50.9 %	55.1 %

* Figures were not considered for reconciliation due to the insignificant amount.

(1) Include asset write-offs of \$9,000 in the three and nine months ended September 27, 2020 and \$2,000 for the nine months ended September 29, 2019.

(2) Net loss per share for the three and nine months ended September 29, 2019 is adjusted to reflect 1-for-14 reverse stock split effected on December 23, 2019.

QUICKLOGIC CORPORATION
SUPPLEMENTAL DATA
(Unaudited)

	Percentage of Revenue			Change in Revenue	
	Q3 2020	Q3 2019	Q2 2020	Q3 2020 to Q3 2019	Q3 2020 to Q2 2020
COMPOSITION OF REVENUE					
Revenue by product: (1)					
New products	36 %	47 %	37 %	(37) %	(22) %
Mature products	64 %	53 %	63 %	— %	(17) %
Revenue by geography:					
Asia Pacific	18 %	25 %	36 %	(39) %	(59) %
North America	61 %	70 %	58 %	(28) %	(15) %
Europe	21 %	5 %	6 %	233 %	176 %

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- (1) New products include all products manufactured on 180 nanometer or smaller semiconductor processes, eFPGA IP license, QuickAI and SensiML AI software as a service (SaaS) revenues. Mature products include all products produced on semiconductor processes larger than 180 nanometer.

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