

Marvell Technology Group

Investor Relations

FQ3' 2017 Earnings Update

Safe Harbor: Forward-Looking Statements

This presentation contains forward-looking statements within the meaning of the federal securities laws that involve risks and uncertainties, including: Marvell's expectations regarding its fourth quarter of fiscal 2017 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 presentation due to a number of risks and uncertainties, including, but not limited to: Marvell's ability to implement its restructuring in a timely manner; the amount and timing of anticipated charges associated with the restructuring; Marvell's ability to increase its operational efficiency and decrease its operating expenses to the anticipated level; its ability to divest certain non-strategic businesses within the anticipated timeframes and with the anticipated cost savings; actions that may be taken by Marvell as a result of the Audit Committee's investigation; adverse impacts of litigation or regulatory activities; Marvell's ability to compete in products and prices in an intensely competitive industry; Marvell's reliance on the hard disk drive and wireless markets, which are highly cyclical and intensely competitive; costs and liabilities relating to current and future litigation; Marvell's reliance on a few customers for a significant portion of its revenue; Marvell's ability to develop and introduce new and enhanced products in a timely and cost effective manner and the adoption of those products in the market; seasonality in sales of consumer devices in which Marvell's products are incorporated; uncertainty in the worldwide economic conditions; risks associated with manufacturing and selling a majority of Marvell's products and Marvell's customers' products outside of the United States; 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 30, 2016 as filed with the SEC on September 8, 2016, 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.

Use of Non-GAAP Financial Measures

These slides provide financial measures on a U.S. GAAP as well as a non-GAAP basis. These non-GAAP results 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 settlements 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 operating performance. We believe that the presentation of non-GAAP financial measures provides important supplemental information to management and investors regarding financial and business trends relating to our financial condition and results of operations. While we use non-GAAP financial measures as a tool to enhance our understanding of certain aspects of our financial performance, we do not consider these measures to be a substitute for, or superior to, financial measures calculated in accordance with GAAP. Non-GAAP financial measures have limitations in that they do not reflect all of the costs associated with the operations of our 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 our results as reported under GAAP.

A reconciliation in accordance with SEC Regulation G for the non-GAAP financial measures used in these slides is available in the financial statements section to this presentation and/or in the Investor Relations section of our website at www.marvell.com.

FQ3' 2017 Financial Results

Key Highlights from FQ3' 2017 Results

Revenue

- Revenue of \$654M, up 4% q/q
- Storage growth on higher HDD and SSD demand
- Networking declined sequentially but better-than-expected, 20% growth year-over-year
- Mobile & Wireless down as expected

Non-GAAP EPS & Profitability

- Non-GAAP EPS (diluted): \$0.20
- Non-GAAP gross margin: 56.7%
- Non-GAAP operating margin: 17.6%

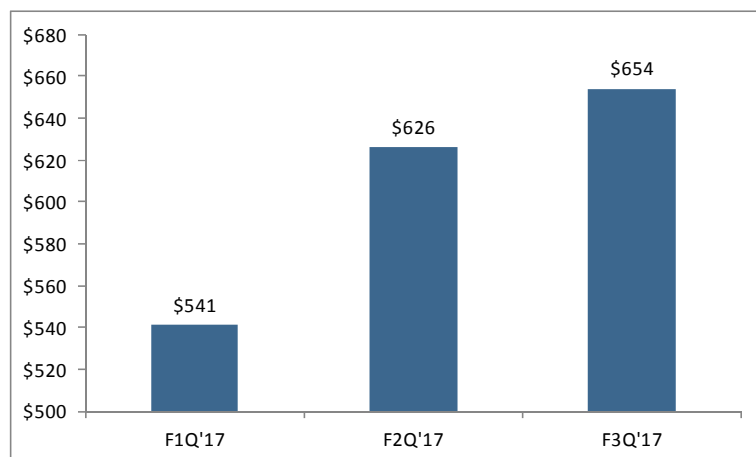
Shareholder Capital Returns

- Returned \$87.2M to shareholders
 - Repurchased 4.4M shares for \$56.5M
 - Paid \$30.7M in dividends or \$0.06 per share

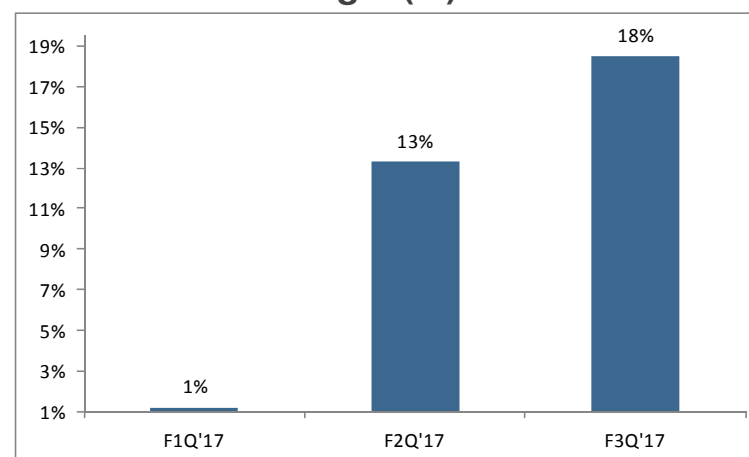
Source: Marvell

FQ3' 2017 Financial Summary

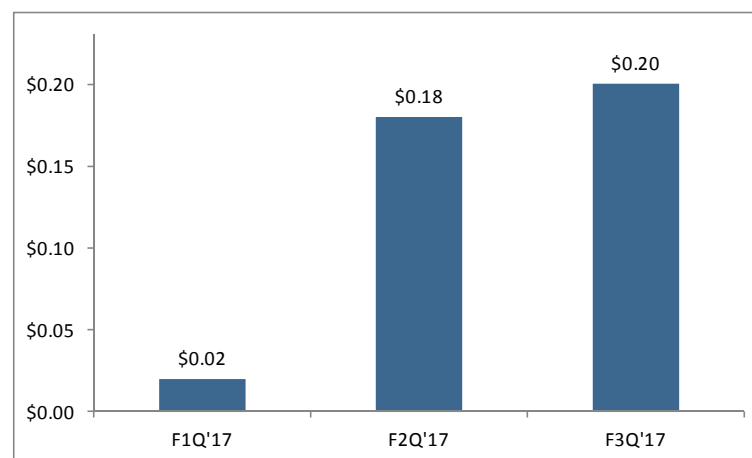
Revenue (\$M)



Non-GAAP Operating Margin (%)



Non-GAAP Diluted EPS (\$)



Source: Marvell

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End Markets: Storage

Storage

- HDD
- SSD
- Enterprise storage solutions



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FQ3 Highlights

- Overall Storage revenue grew 19% Q/Q and 27% Y/Y
 - 50% of total revenue
- HDD grew on improved demand, inventory replenishment
- SSD had a record quarter and grew significantly on strong SATA and PCIe demand
- First production shipment of PreAmp

Source: Marvell

End Markets: Networking

Networking

- Ethernet Switches
- Ethernet PHY
- Embedded Processors
- Other



FQ3 Highlights

- Overall Networking declined 6% Q/Q and increased 20% Y/Y
 - 23% of total revenue
- Continued momentum in campus, SMB and enterprise networking
- Introduced 25G end to end solutions for enterprise data centers

Source: Marvell

End Markets: Mobile and Wireless

Wireless Connectivity

- WiFi & WiFi/Bluetooth combo
- Other



FQ3 Highlights

- Revenue declined 11% Q/Q and 50% Y/Y consistent with our expectations due to prior exit of mobile and some lower margin modules
 - 18% of revenue
- Continued shift from mobile and IoT toward applications where performance matters

Source: Marvell

Restructuring Actions

Restructuring Actions

- **On November 2, 2016, announced restructuring actions to drive growth and profitability on**
- **Pursuing two initiatives to lower annual operating expenses by \$240 - \$260M**
 - Discontinuing specific R&D programs, streamlining engineering processes, and consolidating R&D sites for greater efficiency, which will eliminate approximately 900 positions worldwide and a significant reduction in legal and accounting costs. Altogether, these changes are expected to lower annual operating expenses by \$180-200 million.
 - Divesting non-strategic businesses with approximately \$60 million in operating expenses and \$100 million in revenue, based on a first half of fiscal 2017 annualized run rate. These businesses will be classified as Discontinued Operations in Q4 of fiscal 2017
- **Expecting to incur charges of \$90-110 million over the next four quarters, including cash charges of \$35-50 million.**

FQ4' 2017 Financial Outlook

FQ4' 2017 Outlook

	GAAP from Continuing Operations	Non-GAAP from Continuing Operations
Revenue	\$565M +/- 2%	\$565M +/- 2%
Gross Margin	57% to 58%	57% to 58%
Operating Expense	\$322M to \$332M	\$225M to \$235M
Earnings per diluted share	(\$0.01) to \$0.03	\$0.17 to \$0.21

Source: Marvell

Financial Statements

Unaudited Statement of Operations

(In thousands, except per share amounts)

	Q4'15	Q1'16	Q2'16	Q3'16	Q4'16	Q1'17	Q2'17	Q3'17
Net revenue	\$ 857,452	\$ 724,288	\$ 710,492	\$ 674,890	\$ 616,158	\$ 540,822	\$ 626,404	\$ 654,422
Cost of goods sold	417,131	351,153	461,719	379,254	302,610	259,210	287,608	286,063
Gross profit (loss)	440,321	373,135	248,773	295,636	313,548	281,612	338,796	368,359
Operating expenses:								
Research and development	285,497	280,114	297,321	284,308	239,703	241,271	228,562	223,519
Selling and marketing	37,235	36,174	30,841	32,481	31,301	31,379	31,094	30,576
General and administrative	34,651	41,027	36,563	34,771	37,812	35,623	37,173	29,012
Carnegie Mellon University litigation settlement	-	-	654,667	-	-	-	-	-
Amortization and write-off of acquired intangible assets	3,100	2,568	2,568	3,150	2,462	2,461	2,461	2,299
Total operating expenses	360,483	359,883	1,021,960	354,710	311,278	310,734	299,290	285,406
Operating income (loss)	79,838	13,252	(773,187)	(59,074)	2,270	(29,122)	39,506	82,953
Interest and other income, net	4,382	5,167	6,790	4,644	1,084	1,488	6,284	5,470
Income before income (loss) taxes	84,220	18,419	(766,397)	(54,430)	3,354	(27,634)	45,790	88,423
Provision (benefit) for income taxes	2,527	4,329	5,543	3,320	(846)	(4,955)	(5,515)	15,807
Net income (loss)	\$ 81,693	\$ 14,090	\$ (771,940)	\$ (57,750)	\$ 4,200	\$ (22,679)	\$ 51,305	\$ 72,616
Net income (loss) per share - basic	0.16	0.03	(1.49)	(0.11)	0.01	(0.04)	0.10	0.14
Net income (loss) per share - diluted	0.16	0.03	(1.49)	(0.11)	0.01	(0.04)	0.10	0.14
Weighted average shares — basic	513,574	516,228	516,368	504,831	506,352	508,794	511,235	511,090
Weighted average shares — diluted	522,112	527,167	516,368	504,831	508,590	508,794	514,314	522,091

The following table presents details of total share-based compensation expense included in each functional line item in the unaudited condensed consolidated statements of income above:

Cost of goods sold	2,006	1,547	2,012	2,495	1,862	1,802	2,832	2,225
Research and development	25,590	24,781	27,808	22,573	23,630	24,396	28,581	19,998
Selling and marketing	3,069	2,577	2,707	2,608	3,214	2,942	3,315	2,958
General and administrative	7,298	4,316	4,147	3,789	3,713	(4,687)	2,468	3,082

Source: Marvell

Unaudited Balance Sheet

(In thousands)

	Q4'15	Q1'16	Q2'16	Q3'16	Q4'16	Q1'17	Q2'17	Q3'17
Assets								
Current assets:								
Cash, cash equivalents, and short-term investments	\$ 2,529,555	\$ 2,500,915	\$ 2,337,647	\$ 2,303,752	\$ 2,282,749	\$ 1,615,240	\$ 1,624,009	\$ 1,650,372
Accounts receivable, net	420,955	393,814	417,721	380,928	323,300	280,658	348,683	362,195
Inventories	308,162	339,859	327,103	279,359	210,017	196,739	202,717	198,843
Prepaid expenses and other current assets	85,368	91,151	86,106	71,450	102,560	57,139	54,870	49,731
Total current assets	3,344,040	3,325,739	3,168,577	3,035,489	2,918,626	2,149,776	2,230,279	2,261,141
Property and equipment, net	340,639	325,754	322,262	309,647	299,540	283,584	274,774	265,984
Long-term investments	10,226	10,111	10,123	10,182	11,296	8,974	8,974	8,974
Goodwill and acquired intangible assets, net	2,060,643	2,057,590	2,054,537	2,050,902	2,047,955	2,045,009	2,042,063	2,039,279
Other non-current assets	128,839	122,855	110,457	100,304	164,710	169,778	160,586	179,068
Total assets	<u>\$ 5,884,387</u>	<u>\$ 5,842,049</u>	<u>\$ 5,665,956</u>	<u>\$ 5,506,524</u>	<u>\$ 5,442,127</u>	<u>\$ 4,657,121</u>	<u>\$ 4,716,676</u>	<u>\$ 4,754,446</u>
Liabilities and Shareholders' Equity								
Current liabilities:								
Accounts payable	\$ 282,899	\$ 297,050	\$ 289,023	\$ 236,675	\$ 180,372	\$ 193,697	\$ 212,950	\$ 183,252
Accrued liabilities	286,357	258,345	287,007	285,473	253,691	236,514	219,489	256,339
Carnegie Mellon University accrued litigation settlement	-	-	733,557	734,715	736,000	-	-	-
Deferred income	68,120	61,093	59,652	58,086	55,722	54,488	72,049	63,656
Total current liabilities	637,376	616,488	1,369,239	1,314,949	1,225,785	484,699	504,488	503,247
Other non-current liabilities	100,922	94,289	82,720	80,092	76,219	72,604	53,100	70,705
Total liabilities	<u>738,298</u>	<u>710,777</u>	<u>1,451,959</u>	<u>1,395,041</u>	<u>1,302,004</u>	<u>557,303</u>	<u>557,588</u>	<u>573,952</u>
Shareholders' equity:								
Common stock	3,100,578	3,102,809	2,990,026	2,976,436	3,029,936	3,039,754	3,076,601	3,058,552
Accumulated other comprehensive income (loss)	308	80	(1,278)	(2,182)	(795)	2,222	4,015	1,553
Retained earnings	2,045,203	2,028,383	1,225,249	1,137,229	1,110,982	1,057,842	1,078,472	1,120,389
Total shareholders' equity	5,146,089	5,131,272	4,213,997	4,111,483	4,140,123	4,099,818	4,159,088	4,180,494
Total liabilities and shareholders' equity	<u>\$ 5,884,387</u>	<u>\$ 5,842,049</u>	<u>\$ 5,665,956</u>	<u>\$ 5,506,524</u>	<u>\$ 5,442,127</u>	<u>\$ 4,657,121</u>	<u>\$ 4,716,676</u>	<u>\$ 4,754,446</u>
GAAP inventory turns	5.0	4.3	5.5	5.0	4.9	5.1	5.8	5.7
GAAP days in inventory	72	84	66	73	74	71	63	64

Source: Marvell

Unaudited Statement of Cash Flows

(In thousands)

	Q4'15	Q1'16	Q2'16	Q3'16	Q4'16	Q1'17	Q2'17	Q3'17
Cash flows from operating activities:								
Net income (loss)	\$ 81,693	\$ 14,090	\$ (771,940)	\$ (57,750)	\$ 4,200	\$ (22,679)	\$ 51,305	\$ 72,616
Adjustments to reconcile net income (loss) to net cash provided by operating activities:								
Depreciation and amortization	26,464	26,620	25,191	25,565	22,800	27,114	26,866	27,188
Share-based compensation	37,963	33,221	36,674	31,465	32,419	24,453	37,196	28,263
Amortization and write-off of acquired intangible assets	3,585	3,053	3,053	3,635	2,947	2,946	2,946	2,784
Other expense (income), net	(1,699)	(561)	2,282	4,205	7,885	1,361	589	(930)
Non-cash restructuring and other related charges	3,230	573	900	14,270	289	896	129	1,056
Excess tax benefits from share-based compensation	(67)	(18)	(7)	(2)	1	-	(5)	(5)
Changes in assets and liabilities:								
Accounts receivable	25,719	27,141	(23,907)	36,793	57,628	42,642	(68,025)	(13,512)
Inventories	48,247	(31,318)	12,903	39,457	69,544	13,598	(6,364)	3,710
Prepaid expenses and other assets	4,087	1,969	9,359	6,804	(35,245)	(15,693)	6,658	6,457
Accounts payable	(60,808)	17,125	(5,167)	(55,693)	(62,163)	19,922	20,437	(29,818)
Accrued liabilities and other non-current liabilities	(12,189)	(11,576)	19,634	3,958	(27,218)	(22,502)	(7,741)	6,508
Carnegie Mellon University accrued litigation settlement	-	-	733,557	1,158	1,285	(736,000)	-	-
Accrued employee compensation	1,910	(14,424)	(14,507)	14,295	(18,702)	7,152	(22,270)	25,537
Deferred income	(2,714)	(7,027)	(1,441)	(1,566)	(2,364)	(1,234)	17,561	(8,393)
Net cash provided by (used in) operating activities	155,421	58,868	26,584	66,594	53,306	(658,024)	59,282	121,461
Cash flows from investing activities:								
Purchases of available-for-sale securities	(344,023)	(392,900)	(173,465)	(356,465)	(133,215)	(93,365)	(110,358)	(140,087)
Sales and maturities of available-for-sale securities	248,215	247,495	222,295	356,409	477,301	370,059	116,506	170,472
Purchase of time deposits	-	-	-	-	-	(50,000)	(75,000)	(25,000)
Distribution from (investments in) privately-held-companies	-	-	208	(130)	(119)	-	-	274
Proceeds from sale of an investment in a privately-held company	-	-	-	-	-	-	-	-
Purchases of technology licenses	(1,910)	(3,606)	(2,071)	(980)	(1,579)	(4,050)	(3,995)	(394)
Purchases of property and equipment	(14,415)	(7,334)	(16,986)	(9,041)	(3,894)	(11,868)	(12,509)	(13,347)
Purchase of equipment previously leased	-	(10,240)	-	-	-	-	-	-
Net proceeds from sale of equipment held for sale	-	-	-	10,007	-	-	-	-
Net cash provided by (used in) investing activities	(112,133)	(166,585)	29,981	(200)	338,494	210,776	(85,356)	(8,082)
Cash flows from financing activities:								
Repurchase of common stock	(21,188)	(20,273)	(175,311)	(65,291)	-	-	-	(56,531)
Proceeds from employee stock plans	41,049	13,013	44,161	2,174	21,369	315	244	11,277
Minimum tax withholding paid on behalf of employees for net share settlement	(908)	(22,310)	(697)	(869)	(482)	(15,270)	(112)	(899)
Dividend payment to shareholders	(30,942)	(30,910)	(31,194)	(30,270)	(30,447)	(30,461)	(30,675)	(30,699)
Payments on technology license obligations	(4,382)	(4,067)	(4,732)	(2,617)	(1,112)	(5,294)	(4,858)	(3,696)
Excess tax benefits from share-based compensation	67	18	7	2	(1)	-	5	5
Net cash provided by (used in) financing activities	(16,304)	(64,529)	(167,766)	(96,871)	(10,673)	(50,710)	(35,396)	(80,543)
Net increase (decrease) in cash and cash equivalents	26,984	(172,246)	(111,201)	(30,477)	381,127	(497,958)	(61,470)	32,836
Cash and cash equivalents at beginning of period	1,183,993	1,210,977	1,038,731	927,530	897,053	1,278,180	780,222	718,752
Cash and cash equivalents at end of period	<u>\$ 1,210,977</u>	<u>\$ 1,038,731</u>	<u>\$ 927,530</u>	<u>\$ 897,053</u>	<u>\$ 1,278,180</u>	<u>\$ 780,222</u>	<u>\$ 718,752</u>	<u>\$ 751,588</u>

Source: Marvell

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Unaudited GAAP to Non-GAAP Reconciliations

(In thousands, except per share amounts)

	Q4'15	Q1'16	Q2'16	Q3'16	Q4'16	Q1'17	Q2'17	Q3'17
GAAP Net income (loss)	\$ 81,693	\$ 14,090	\$ (771,940)	\$ (57,750)	\$ 4,200	\$ (22,679)	\$ 51,305	\$ 72,616
(1) Cost of goods sold								
Share-based compensation	2,006	1,547	2,012	2,495	1,862	1,802	2,832	2,225
Restructuring and related charges	-	-	-	10,285	7	-	-	-
Amortization of acquired intangible assets	925	925	778	485	485	485	485	485
Litigation settlement	-	(1,700)	81,390	1,158	3,711	-	-	-
Other	1,000	-	-	-	-	-	-	-
(2) Research and development:								
Share-based compensation	25,590	24,781	27,808	22,573	23,630	24,396	28,581	19,998
Restructuring and other exit related	67	-	11,680	31,806	3,703	813	(329)	1,056
Litigation matters	-	-	5,000	-	-	-	-	-
Other	-	-	134	894	3,485	(49)	174	-
(3) Selling and marketing:								
Share-based compensation	3,069	2,577	2,707	2,608	3,214	2,942	3,315	2,958
Restructuring and other exit related	-	-	-	1,899	118	-	27	-
Litigation settlement	-	-	-	-	-	-	-	-
Other	-	-	-	39	393	304	(71)	-
(4) General and administrative:								
Share-based compensation	7,298	4,316	4,147	3,789	3,713	(4,687)	2,468	3,082
Restructuring and other exit related	3,345	592	1,320	1,565	568	3,628	1,023	108
Litigation settlement	-	-	661,727	-	80	100	(115)	-
Other	2,764	18,302	2,748	2,901	2,876	886	-	-
(5) Other operating costs and expenses:								
Amortization and write-off of acquired intangible assets	3,100	2,568	2,568	3,150	2,462	2,461	2,461	2,299
(6) Provision for income taxes:								
Other	-	3,080	7,323	1,108	-	(1,071)	-	-
Non-GAAP Net income	\$ 130,857	\$ 71,078	\$ 39,402	\$ 29,005	\$ 54,507	\$ 9,331	\$ 92,156	\$ 104,827
Non-GAAP Operating income	\$ 129,002	\$ 67,160	\$ 30,832	\$ 26,573	\$ 52,577	\$ 3,959	\$ 80,357	\$ 115,164
GAAP Weighted average shares — diluted	522,112	527,167	516,368	504,831	508,590	508,794	514,314	522,091
Non-GAAP adjustment	10,688	7,993	16,574	13,674	9,978	13,569	12,139	9,740
Non-GAAP Weighted average shares — diluted	532,800	535,160	532,942	518,505	518,568	522,363	526,453	531,831

Source: Marvell

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