



November 19, 2014

## Semtech Announces Third Quarter of Fiscal Year 2015 Results

- **Net Sales of \$148.9 million, Up 6% Year over Year**
- **Net Income of \$17.6 million, Up 42% Year over Year**
- **Cash Flow From Operations of \$33.4 million, Up 15% Year over Year**
- **Stock Repurchases During the Quarter of Approximately 818,000 shares for \$20.9 million**

CAMARILLO, Calif.--(BUSINESS WIRE)-- Semtech Corporation (Nasdaq: SMTC), a leading supplier of analog and mixed-signal semiconductors, today reported unaudited financial results for its third quarter of fiscal year 2015, which ended October 26, 2014. The Company also announced that its Board of Directors approved an increase of the existing stock repurchase authorization to \$50.0 million. Prior to the increase, the Company had \$21.6 million remaining from the authorization that was expanded in August 2013.

Net sales for the third quarter of fiscal year 2015 were \$148.9 million, up 2 percent from the second quarter of fiscal year 2015 and up 6 percent from the third quarter of fiscal year 2014.

Gross profit margin, computed in accordance with U.S. generally accepted accounting principles ("GAAP"), for the third quarter of fiscal year 2015 was 60.0 percent compared to 60.5 percent in the second quarter of fiscal year 2015 and 59.1 percent in the third quarter of fiscal year 2014.

GAAP net income for the third quarter of fiscal year 2015 was \$17.6 million or \$0.26 per diluted share. This compares to GAAP net income of \$17.9 million or \$0.26 per diluted share in the second quarter of fiscal year 2015 and GAAP net income of \$12.5 million or \$0.18 per diluted share in the third quarter of fiscal year 2014.

To facilitate the complete understanding of comparable financial performance between periods, the Company also presents performance results net of certain non-cash and one-time items or other expenses which would not otherwise have been incurred by the Company in the normal course of its business operations or are not reflective of the Company's core results over time. The Company's non-GAAP results exclude the following items:

- Stock-based compensation expense
- Environmental monitoring and remediation reserves
- Acquisition related fair value adjustments
- Intangible amortization and impairments
- Transaction and other acquisition related expenses
- Restructuring and integration related expenses

Excluding the items listed above, non-GAAP net income for the third quarter of fiscal year 2015 was \$30.8 million or \$0.46 per diluted share. Non-GAAP net income was \$28.3 million or \$0.42 per diluted share in the second quarter of fiscal year 2015 and was \$24.1 million or \$0.35 per diluted share in the third quarter of fiscal year 2014.

Non-GAAP gross profit margin for the third quarter of fiscal year 2015 was 60.3 percent. Non-GAAP gross profit margin for the second quarter of fiscal year 2015 was 60.8 percent and 59.4 percent in the third quarter of fiscal year 2014.

As of October 26, 2014, the Company had \$233.0 million in cash, cash equivalents and marketable securities. This compares to \$246.9 million in cash, cash equivalents and marketable securities at the end of fiscal year 2014.

Mohan Maheswaran, Semtech's President and Chief Executive Officer, stated "We were pleased to deliver solid earnings and operating leverage despite a challenging demand environment and weak bookings. Strength in the high-end consumer and industrial end-markets offset weakness from other markets." Maheswaran added, "We are encouraged by the number of new opportunities we are seeing from emerging markets and the quality of the design-win momentum we are seeing with several of our newer platforms which should contribute strongly to the Company's growth prospects in FY16."

The results announced today are preliminary, as they are subject to the Company finalizing its closing procedures and customary quarterly review by the Company's independent registered public accounting firm. As such, these results are subject to revision until the Company will have filed its Quarterly Report on Form 10-Q for the third quarter of fiscal year 2015.

#### Fourth Quarter of Fiscal Year 2015 Outlook

- Net sales are expected to be in the range of \$128.0 million to \$132.0 million
- GAAP gross profit margin is expected to be in the range of 59.6% to 60.4%
- Non-GAAP gross profit margin is expected to be in the range of 60.0% to 60.8%
- GAAP SG&A expense is expected to be in the range of \$30.0 million to \$31.0 million
- GAAP R&D expense is expected to be in the range of \$27.7 million to \$28.7 million
- Stock-based compensation expense, is expected to be approximately \$7.8 million, categorized as follows: \$0.5 million cost of sales, \$4.6 million SG&A, and \$2.7 million R&D
- Amortization of acquired intangible assets is expected to be approximately \$6.4 million
- Interest and other expense is expected to be approximately \$1.6 million
- GAAP tax rate is expected to be in the range of 11% to 13%
- Non-GAAP tax rate is expected to be in the range of 14% to 15%
- GAAP earnings per diluted share are expected to be in the range of \$0.14 to \$0.16
- Non-GAAP earnings per diluted share are expected to be in the range of \$0.32 to \$0.34
- Fully diluted share count is expected to be approximately 67.2 million shares
- Capital expenditures are expected to be approximately \$8.0 million

#### Non-GAAP Financial Measures

To supplement the Company's consolidated financial statements prepared in accordance with GAAP, this release includes a non-GAAP presentation of gross profit margin, net income and earnings per diluted share and free cash flow. To provide additional insight into the Company's fourth quarter outlook, this release includes a presentation of forward-looking non-GAAP measures including gross profit margin, tax rate and earnings per diluted share. The non-GAAP gross profit margin, net income and earnings per diluted share measures exclude stock-based compensation expense, amortization of acquired intangible assets and the other items detailed above. The non-GAAP presentation of free cash flow excludes capital expenditures. These non-GAAP measures are provided to enhance the user's overall understanding of the Company's comparable financial performance between periods. In addition, the Company's management generally excludes the items noted above when managing and evaluating the performance of the business. The financial statements provided with this release include reconciliations of these non-GAAP measures to their most comparable GAAP results for the second quarter of fiscal year 2015 and third quarter of fiscal year 2014 and a reconciliation of forward-looking earnings per diluted share to its most comparable GAAP measure for the fourth quarter of fiscal year 2015. These additional non-GAAP financial measures should not be considered substitutes for any measures derived in accordance with GAAP and may be inconsistent with similar measures presented by other companies.

#### Forward-Looking and Cautionary Statements

This press release contains "forward-looking statements" within the meaning of the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, as amended, based on our current expectations, estimates and projections about our operations, industry, financial condition, performance, results of operations, and liquidity. Forward-looking statements are statements other than historical information or statements of current condition and relate to matters such as future financial performance, future operational performance, the anticipated impact of specific items on future earnings, and our plans, objectives and expectations. Statements containing words such as "may," "believes," "anticipates," "expects," "intends," "plans," "projects," "estimates," "should," "will," "designed to," "projections," or "business outlook," or other similar expressions constitute forward-looking statements. Forward-looking statements involve known and unknown risks and uncertainties that could cause actual results and events to differ materially from those projected. Potential factors that could cause actual results to differ materially from those in the forward-looking statements include, but are not limited to: potential differences between the unaudited results disclosed in this release and the Company's final results for the quarter when disclosed in its Quarterly Report on Form 10-Q as a result of the completion of the Company's financial closing procedures, final adjustments, review by the Company's independent registered public accounting firm and other developments arising between now and the disclosure of the final results; the continuation and/or pace of key trends considered to be main contributors to the Company's growth, such as demand for increased network bandwidth, demand for increasing energy efficiency in the Company's products or end-

use applications of the products, and demand for increasing miniaturization of electronic components; shifts in demand among target customers, and other comparable changes or protracted weakness in projected or anticipated markets; competitive changes in the marketplace, including, but not limited to the pace of growth or adoption rates of applicable products or technologies; shifts in focus among target customers, and other comparable changes in projected or anticipated end-user markets; adequate supply of components and materials from our suppliers, and of our products from our third-party manufacturers, to include disruptions due to natural causes or disasters, weather, or other extraordinary events; the Company's ability to forecast and achieve anticipated revenues and earnings estimates in light of periodic economic uncertainty, to include impacts arising from European, Asian and global economic dynamics; the Company's ability to manage expenses to achieve anticipated amounts; and the amount and timing of expenditures for capital equipment deemed necessary or advisable by the Company. Additionally, forward-looking statements should be considered in conjunction with the cautionary statements contained in the "Risk Factors" section and elsewhere in the Company's Annual Report on Form 10-K for the fiscal year ended 2014, including, without limitation, information under the captions "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Risk Factors", in the Company's other filings with the Securities and Exchange Commission, and in material incorporated therein by reference. In light of the significant risks and uncertainties inherent in the forward-looking information included herein that may cause actual performance and results to differ materially from those predicted, any such forward-looking information should not be regarded as representations or guarantees by the Company of future performance or results, or that its objectives or plans will be achieved or that any of its operating expectations or financial forecasts will be realized. Reported results should not be considered an indication of future performance. Investors are cautioned not to place undue reliance on any forward-looking information contained herein, which reflect management's analysis only as of the date hereof. Except as required by law, the Company assumes no obligation to publicly release the results of any update or revision to any forward-looking statements that may be made to reflect new information, events or circumstances after the date hereof or to reflect the occurrence of unanticipated or future events, or otherwise.

### **About Semtech**

Semtech Corporation is a leading supplier of analog and mixed-signal semiconductors for high-end consumer, computing, communications and industrial equipment. Products are designed to benefit the engineering community as well as the global community. The Company is dedicated to reducing the impact it, and its products, have on the environment. Internal green programs seek to reduce waste through material and manufacturing control, use of green technology and designing for resource reduction. Publicly traded since 1967, Semtech is listed on the NASDAQ Global Select Market under the symbol SMTC. For more information, visit <http://www.semtech.com>.

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### **SEMTECH CORPORATION** **CONSOLIDATED STATEMENTS OF INCOME** (Table in thousands - except per share amount)

	Three Months Ended			Nine Months Ended	
	October 26, 2014	July 27, 2014	October 27, 2013	October 26, 2014	October 27, 2013
	Q3 2015	Q2 2015	Q3 2014	Q3 2015	Q3 2014
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>Net sales</b>	<b>\$ 148,890</b>	<b>\$ 145,742</b>	<b>\$ 141,026</b>	<b>\$ 427,491</b>	<b>\$ 468,443</b>
Cost of sales	59,564	57,521	57,615	171,860	187,037
<b>Gross profit</b>	<b>89,326</b>	<b>88,221</b>	<b>83,411</b>	<b>255,631</b>	<b>281,406</b>
Operating costs and expenses:					
Selling, general and administrative	31,692	31,547	30,849	94,935	98,958
Product development and engineering	28,401	28,173	31,948	84,387	99,632
Intangible amortization and impairments	6,423	6,444	7,349	19,292	25,016
Restructuring charges	-	-	-	1,001	-
Total operating costs and expenses	66,516	66,164	70,146	199,615	223,606
<b>Operating income</b>	<b>22,810</b>	<b>22,057</b>	<b>13,265</b>	<b>56,016</b>	<b>57,800</b>
Interest expense	(1,462)	(1,588)	(1,818)	(4,437)	(16,462)
Interest income and other (expense), net	216	(345)	(259)	(407)	(1,264)

<b>Income before taxes</b>	<b>21,564</b>	<b>20,124</b>	<b>11,188</b>	<b>51,172</b>	<b>40,074</b>
Provision (benefit) for taxes	3,941	2,226	(1,265)	7,784	(6,268)
<b>Net income</b>	<b>\$ 17,623</b>	<b>\$ 17,898</b>	<b>\$ 12,453</b>	<b>\$ 43,388</b>	<b>\$ 46,342</b>

Earnings per share:

Basic	\$ 0.26	\$ 0.27	\$ 0.18	\$ 0.65	\$ 0.69
Diluted	\$ 0.26	\$ 0.26	\$ 0.18	\$ 0.64	\$ 0.67

Weighted average number of shares used in computing earnings per share:

Basic	67,162	67,208	67,792	67,223	67,454
Diluted	67,654	67,850	68,871	67,791	68,819

**SEMTECH CORPORATION**  
**CONSOLIDATED BALANCE SHEETS**

(Table in thousands)

	<b>October 26,</b>	<b>January 26,</b>
	<b>2014</b>	<b>2014</b>
	<b>(Unaudited)</b>	
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 232,486	\$ 243,194
Accounts receivable, net	78,323	66,333
Inventories	60,459	60,267
Deferred tax assets	2,989	2,946
Prepaid taxes	2,900	4,993
Other current assets	17,428	15,863
Total current assets	<u>394,585</u>	<u>393,596</u>
Property, plant and equipment, net	119,498	110,121
Long-term investments	550	3,674
Deferred income taxes	89	348
Goodwill	276,898	276,898
Other intangible assets, net	121,418	140,944
Other assets	28,819	23,359
<b>Total assets</b>	<b><u>\$ 941,857</u></b>	<b><u>\$ 948,940</u></b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 39,856	\$ 40,016
Accrued liabilities	43,302	44,148
Deferred revenue	7,859	7,267
Current portion - long term debt	18,544	18,529
Deferred tax liabilities	925	930
Total current liabilities	<u>110,486</u>	<u>110,890</u>
Deferred tax liabilities - non-current	9,949	3,626
Long term debt - less current	234,384	273,293
Other long-term liabilities	27,542	25,288
Stockholders' equity	559,496	535,843
<b>Total liabilities &amp; stockholders' equity</b>	<b><u>\$ 941,857</u></b>	<b><u>\$ 948,940</u></b>

**CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS**

(Table in thousands)

	<b>Nine Months Ended</b>	
	<b>October 26, 2014</b>	<b>October 27, 2013</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Net income	<b>\$ 43,388</b>	<b>\$ 46,342</b>
Net cash provided by operating activities	94,529	87,384
Net cash used in investing activities	(26,912)	(24,827)
Net cash used in financing activities	(78,325)	(48,356)
Net increase (decrease) in cash and cash equivalents	(10,708)	14,201
Cash and cash equivalents at beginning of period	243,194	223,192
<b>Cash and cash equivalents at end of period</b>	<b>\$ 232,486</b>	<b>\$ 237,393</b>

**SEMTECH CORPORATION**  
**SUPPLEMENTAL INFORMATION - NOTES TO CONSOLIDATED GAAP STATEMENTS OF INCOME**

(Tables in thousands - except per share amounts)

	<u>Three Months Ended</u>			<u>Nine Months Ended</u>	
	<u>October 26, 2014</u>	<u>July 27, 2014</u>	<u>October 27, 2013</u>	<u>October 26, 2014</u>	<u>October 27, 2013</u>
	<u>Q3 2015</u>	<u>Q2 2015</u>	<u>Q3 2014</u>	<u>Q3 2015</u>	<u>Q3 2014</u>
	<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Unaudited)</u>
<b>Stock-based Compensation Expense</b>					
Cost of sales	\$ 391	\$ 355	\$ 413	\$ 1,109	\$ 1,146
Selling, general and administrative	4,620	3,448	\$ 3,449	12,132	11,879
Product development and engineering	2,924	2,472	\$ 2,967	7,815	8,585
Total stock-based compensation expense	<u>\$ 7,935</u>	<u>\$ 6,274</u>	<u>\$ 6,829</u>	<u>\$ 21,056</u>	<u>\$ 21,610</u>

	<u>Three Months Ended</u>			<u>Nine Months Ended</u>	
	<u>October 26, 2014</u>	<u>July 27, 2014</u>	<u>October 27, 2013</u>	<u>October 26, 2014</u>	<u>October 27, 2013</u>
	<u>Q3 2015</u>	<u>Q2 2015</u>	<u>Q3 2014</u>	<u>Q3 2015</u>	<u>Q3 2014</u>
	<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Unaudited)</u>
<b>Gross Profit - Reconciliation GAAP to Non-GAAP</b>					
<b>GAAP gross profit</b>	<b>\$ 89,326</b>	<b>\$ 88,221</b>	<b>\$ 83,411</b>	<b>\$ 255,631</b>	<b>\$ 281,406</b>
Adjustments to GAAP gross profit:					
Stock-based compensation expense	391	355	413	1,109	1,146
Acquisition related fair value adjustments	-	-	-	-	2,408
Impairment charges	-	-	-	1,056	-
<b>Non-GAAP gross profit</b>	<u><b>\$ 89,717</b></u>	<u><b>\$ 88,576</b></u>	<u><b>\$ 83,824</b></u>	<u><b>\$ 257,796</b></u>	<u><b>\$ 284,960</b></u>

	<u>Three Months Ended</u>			<u>Nine Months Ended</u>	
	<u>October 26, 2014</u>	<u>July 27, 2014</u>	<u>October 27, 2013</u>	<u>October 26, 2014</u>	<u>October 27, 2013</u>
	<u>Q3 2015</u>	<u>Q2 2015</u>	<u>Q3 2014</u>	<u>Q3 2015</u>	<u>Q3 2014</u>
	<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Unaudited)</u>
<b>Net Income - Reconciliation GAAP to Non-GAAP</b>					
<b>GAAP net income</b>	<b>\$ 17,623</b>	<b>\$ 17,898</b>	<b>\$ 12,453</b>	<b>\$ 43,388</b>	<b>\$ 46,342</b>

**Adjustments to GAAP net income:**

Stock-based compensation expense	\$ 7,935	\$ 6,274	\$ 6,829	\$ 21,056	\$ 21,610
Acquisition related fair value adjustments	314	339	338	993	3,424
Transaction and integration related expenses	(997)	58	607	(496)	2,043
Intangible amortization and impairments	6,423	6,444	7,349	19,292	25,016
Environmental reserve	235	-	-	235	-
Writeoff of deferred financing cost	-	-	-	-	8,773
Restructuring charges	-	-	-	1,001	-
Impairment charges	-	-	-	1,052	-
Total before tax adjustment	<u>13,910</u>	<u>13,115</u>	<u>15,123</u>	<u>43,133</u>	<u>60,866</u>
Associated tax effect	<u>(685)</u>	<u>(2,740)</u>	<u>(3,477)</u>	<u>(5,636)</u>	<u>(16,082)</u>
Total of supplemental information net of taxes	<u>13,225</u>	<u>10,375</u>	<u>11,646</u>	<u>37,497</u>	<u>44,784</u>
<b>Non-GAAP net income</b>	<b><u>\$ 30,848</u></b>	<b><u>\$ 28,273</u></b>	<b><u>\$ 24,099</u></b>	<b><u>\$ 80,885</u></b>	<b><u>\$ 91,126</u></b>
Diluted GAAP earnings per share	\$ 0.26	\$ 0.26	\$ 0.18	\$ 0.64	\$ 0.67
Adjustments per above	0.20	0.16	0.17	0.55	0.65
Diluted non-GAAP earnings per share	<u>\$ 0.46</u>	<u>\$ 0.42</u>	<u>\$ 0.35</u>	<u>\$ 1.19</u>	<u>\$ 1.32</u>

Tax Impact Associated With Supplemental Information	Three Months Ended			Nine Months Ended	
	October 26, 2014	July 27, 2014	October 27, 2013	October 26, 2014	October 27, 2013
	Q3 2015	Q2 2015	Q3 2014	Q3 2015	Q3 2014
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>Adjustments to GAAP net income:</b>					
Stock-based compensation expense	\$ 714	\$ 1,101	\$ 1,293	3,179	\$ 5,092
Acquisition related fair value adjustments	-	-	111	-	747
Transaction and integration related expenses	174	183	202	494	679
Intangible amortization and impairments	1,828	1,552	1,871	4,880	6,362
Restructuring charges	24	(30)	-	334	-
Impairment charges	-	-	-	84	-
Valuation allowance	(2,139)	(66)	-	(3,419)	-
Environmental reserve	84	-	-	84	-
Writeoff of deferred financing cost	-	-	-	-	3,202
Total of associated tax effect	<u>\$ 685</u>	<u>\$ 2,740</u>	<u>\$ 3,477</u>	<u>\$ 5,636</u>	<u>\$ 16,082</u>

Free Cash Flow:	Three Months Ended		
	October 26, 2014	July 27, 2014	October 27, 2013
	Q3 2015	Q2 2015	Q3 2014
	(Unaudited)	(Unaudited)	(Unaudited)
Cash Flow from Operations	\$ 33,392	\$ 38,368	\$ 28,939
Net Capital Expenditure	(12,797)	(6,283)	(7,185)
<b>Free Cash Flow:</b>	<b><u>\$ 20,595</u></b>	<b><u>\$ 32,085</u></b>	<b><u>\$ 21,754</u></b>

**Q4 FY15 Earnings Per Share Guidance**  
GAAP to Non-GAAP Reconciliation (net of tax)

	Low	High
GAAP EPS	0.14	0.16
Stock based compensation expense	0.09	0.09
Amortization of acquired intangibles	0.09	0.09
Non-GAAP EPS	<u>0.32</u>	<u>0.34</u>

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