



Semtech Announces Second Quarter of Fiscal Year 2011 Results

- **Record Revenue, Gross Margin, Operating Profit and Earnings Per Share**
- **11% Sequential Increase in Net Revenue**
- **360 Basis Point Sequential Increase in Gross Profit Margin**
- **82% Sequential Increase in Diluted Earnings Per Share**

CAMARILLO, Calif., Aug 25, 2010 (BUSINESS WIRE) -- Semtech Corp. (Nasdaq: SMTC), a leading supplier of analog and mixed-signal semiconductors, reported un-audited financial results for its second quarter of fiscal year 2011 that ended August 1, 2010.

Net revenue for the second quarter of fiscal year 2011 was \$113.2 million, up 70.7% percent from the second quarter of fiscal year 2010 and up 11.1% percent from the first quarter of fiscal year 2011.

Net income for the second quarter of fiscal year 2011, computed in accordance with U.S. generally accepted accounting principles (GAAP), was \$19.7 million or 31 cents per diluted share. GAAP net income was \$7.4 million or 12 cents per diluted share in the second quarter of fiscal year 2010 and \$10.8 million or 17 cents per share in the first quarter of fiscal year 2011.

GAAP gross profit margin for the second quarter of fiscal year 2011 was 59.6 percent compared to 54.5 percent in the second quarter of fiscal year 2010 and 56.0 percent in the first quarter of fiscal year 2011.

To facilitate the complete understanding of comparable financial performance between periods, Semtech also presents performance results net of certain one-time items. Semtech's non-GAAP results exclude the following items:

- Stock-based compensation expense
- Expenses related to class action litigation and ongoing stock option related matters, net of insurance recoveries
- Fair value inventory adjustments made as part of the purchase price allocation for the acquisition of Sierra Monolithics, Inc.
- Amortization of acquired intangibles
- Certain restructuring expenses

Excluding the items listed above, non-GAAP net income for the second quarter of fiscal year 2011 was \$26.7 million or 42 cents per diluted share. Non-GAAP net income was \$11.1 million or 18 cents per diluted share in the second quarter of fiscal year 2010 and was \$22.0 million or 35 cents per diluted share in the first quarter of fiscal year 2011.

Non-GAAP gross profit margin for the second quarter of fiscal year 2011 was 60.1 percent. Non-GAAP gross profit margin for the second quarter of fiscal year 2010 was 55.0 percent and 58.8 percent in the first quarter of fiscal year 2011.

Semtech had \$193.2 million of cash, cash equivalents and marketable securities as of August 1, 2010, up from \$170.8 million at the end of the first quarter of fiscal year 2011.

Mohan Maheswaran, Semtech's President and Chief Executive Officer, commented, "The strength we saw in the first quarter of fiscal year 2011 continued into the second quarter, driven by robust demand in our communications, consumer and industrial end markets. In addition, new products continued to gain traction, validating our strategic focus on the key trends that we believe will drive growth for years to come: demand for increased bandwidth, energy efficiency and miniaturization of electronics."

The results announced today are preliminary, as they are subject to customary quarterly review procedures 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 second quarter of fiscal year 2011.

Third Quarter of Fiscal Year 2011 Outlook

- Net sales are expected to increase approximately 6 percent to 10 percent sequentially
- GAAP gross profit margin is expected to remain flat
- GAAP SG&A expense is expected to be in the range of \$26.1 million to \$26.6 million
- GAAP R&D expense is expected to be in the range of \$17.6 million to \$18.6 million
- Stock-based compensation expense, which is included in the preceding estimates, is expected to be approximately \$7.0 million, categorized as follows: \$0.3 million cost of sales, \$5.1 million SG&A, and \$1.6 million R&D.
- Legal expense related to stock option matters, which is included in the preceding SG&A expense estimate, is expected to be approximately \$1.0 million
- Amortization of acquired intangible assets is expected to be approximately \$2.4 million
- GAAP tax rate is expected to be approximately 19%
- GAAP earnings are expected to be in the range of 33 to 35 cents per diluted share
- Non-GAAP earnings are expected to be in the range of 45 to 47 cents per diluted share
- Capital expenditures are expected to be approximately \$9.0 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, net income and earnings per diluted share. To provide additional insight into the Company's Q3 outlook, this release includes a presentation of forward-looking non-GAAP earnings per diluted share. All of these non-GAAP measures exclude stock-based compensation, amortization of acquired intangible assets, and other items detailed above. 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 such items in managing and evaluating the performance of the business. A further discussion of these non-GAAP financial measures can be found above. Reconciliations of GAAP results for the second quarter of fiscal years 2011 and 2010 and the first quarter of fiscal year 2011, as well as a reconciliation of forward-looking earnings per diluted share for the third quarter of fiscal year 2011, appear with the financial statements later in this release. These additional 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 report contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended. 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. These forward-looking statements are identified by the use of such terms and phrases as "intends," "goal," "estimate," "expect," "project," "plans," "anticipates," "should," "will," "designed to," "believe," and other similar expressions which generally identify 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. Important factors that could cause actual results to differ materially include, but are not limited to: the continuation and/or pace of key trends considered to be main contributors to Company growth, such as demand for increased network and backbone bandwidth, demand for increasing energy efficiency in the Company's products or end use applications of the products, demand for increasing miniaturization of electronic components; shifts in focus among target customers, and other comparable changes in projected or anticipated markets; adequate supply of our products from our third-party manufacturer; benefits derived from recent acquisitions; the depth, extent and duration of current and potential national and world wide economic uncertainty, including such uncertainty associated with and arising predominantly from European markets, at both a macro level, and as it impacts the Company's products, industry, and market sectors; the Company's ability to forecast and achieve anticipated revenues and earnings estimates in light of continuing economic uncertainty; the Company's ability to manage expenses to keep same in line with anticipated amounts; the amount of legal expenses connected with the current defense of class action litigation relating to prior stock option award practices, as such expenses may be impacted by the nature and timing of procedural or other developments in the course of the litigation; 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 January 31, 2010, in the Company's other filings with the SEC, and in material incorporated therein by reference. In light of the significant uncertainties inherent in the forward-looking information included herein, any such forward-looking information should not be regarded as representations by the Company that its objectives or plans will be achieved or that any of its operating expectations or financial forecasts will be realized. Investors are cautioned not to place undue reliance on any forward-looking information contained herein. The Company assumes no obligation to update

or revise any forward-looking statements, whether as a result of new information, 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 | | | Six Months Ended | |
|--|--------------------|-------------------|------------------|-------------------|-------------------|
| | Aug 1, 2010 | May 2, 2010 | July 26, 2009 | Aug 1, 2010 | July 26, 2009 |
| | Q2 2011 | Q1 2011 | Q2 2010 | Q2 2011 | Q2 2010 |
| Net sales | \$ 113,227 | \$ 101,880 | \$ 66,317 | \$ 215,107 | \$ 126,394 |
| Cost of sales | 45,795 | 44,833 | 30,165 | 90,628 | 57,510 |
| Gross profit | 67,432 | 57,047 | 36,152 | 124,479 | 68,884 |
| Operating costs and expenses: | | | | | |
| Selling, general and administrative | 24,915 | 26,351 | 16,741 | 51,266 | 34,196 |
| Product development and engineering | 17,404 | 15,303 | 10,591 | 32,707 | 20,675 |
| Amortization of acquired intangible assets | 2,405 | 2,405 | 302 | 4,810 | 605 |
| Total operating costs and expenses | 44,724 | 44,059 | 27,634 | 88,783 | 55,476 |
| Operating income | 22,708 | 12,988 | 8,518 | 35,696 | 13,408 |
| Interest and other income, net | 308 | 197 | 282 | 505 | 1,572 |
| Income before taxes | 23,016 | 13,185 | 8,800 | 36,201 | 14,980 |
| Provision for taxes | 3,354 | 2,383 | 1,380 | 5,737 | 2,616 |
| Net income | \$ 19,662 | \$ 10,802 | \$ 7,420 | \$ 30,464 | \$ 12,364 |
| Earnings per share: | | | | | |
| Basic | \$ 0.32 | \$ 0.18 | \$ 0.12 | \$ 0.49 | 0.20 |
| Diluted | \$ 0.31 | \$ 0.17 | \$ 0.12 | \$ 0.48 | 0.20 |
| Weighted average number of shares: | | | | | |
| Basic | 61,933 | 61,420 | 60,493 | 61,679 | 60,429 |
| Diluted | 63,552 | 63,181 | 61,044 | 63,264 | 60,885 |

SEMTECH CORPORATION CONSOLIDATED BALANCE SHEETS

(Table in thousands)

| Aug 1, 2010 | Jan 31, 2010 |
|----------------|-----------------|
| (Unaudited) | |

ASSETS

Current assets:

| | | |
|------------------------------|----------------|----------------|
| Cash and cash equivalents | \$ 105,918 | \$ 80,598 |
| Temporary investments | 56,625 | 55,462 |
| Receivables, less allowances | 49,009 | 31,163 |
| Inventories | 36,809 | 33,819 |
| Deferred income taxes | 11,808 | 11,808 |
| Other current assets | 7,412 | 6,616 |
| Total current assets | 267,581 | 219,466 |

| | | |
|------------------------------------|-------------------|------------------|
| Property, plant and equipment, net | 45,860 | 38,063 |
| Long-term investments | 30,654 | 26,163 |
| Deferred income taxes | 5,462 | 7,153 |
| Goodwill | 129,651 | 129,651 |
| Other intangible assets, net | 79,532 | 84,343 |
| Other assets | 16,807 | 9,455 |
| Total assets | \$ 575,547 | \$514,294 |

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:

| | | |
|---|-------------------|------------------|
| Accounts payable | \$ 32,946 | \$ 23,643 |
| Accrued liabilities | 33,725 | 34,008 |
| Income taxes payable | 7,668 | 8,512 |
| Deferred revenue | 3,936 | 3,276 |
| Accrued taxes | - | 2,609 |
| Deferred income taxes | 3,941 | 1,332 |
| Total current liabilities | 82,216 | 73,380 |
| Deferred income taxes - non current | 16,505 | 16,505 |
| Accrued taxes | 9,497 | 9,497 |
| Other long-term liabilities | 11,445 | 9,171 |
| Shareholders' equity | 455,884 | 405,741 |
| Total liabilities & shareholders' equity | \$ 575,547 | \$514,294 |

SEMTECH CORPORATION

SUPPLEMENTAL INFORMATION - NOTES TO CONSOLIDATED GAAP STATEMENTS OF INCOME

(Tables in thousands - except per share amounts)

| | Three Months Ended | | | Six Months Ended | |
|---|--------------------|------------------|------------------|-------------------|------------------|
| | Aug 1, 2010 | May 2, 2010 | July 26, 2009 | Aug 1, 2010 | July 26, 2009 |
| | Q2 2011 | Q1 2011 | Q2 2010 | Q2 2011 | Q2 2010 |
| Stock-based Compensation Expense | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| Cost of sales | \$ 646 | \$ 526 | \$ 344 | \$ 1,172 | \$ 658 |
| Selling, general and administrative | 4,702 | 5,604 | 3,354 | 10,306 | 6,944 |
| Product development and engineering | 1,858 | 2,170 | 1,254 | 4,028 | 2,116 |
| Total stock-based compensation | \$ 7,206 | \$ 8,300 | \$ 4,952 | \$ 15,506 | \$ 9,718 |
| <hr/> | | | | | |
| | Three Months Ended | | | Six Months Ended | |
| | Aug 1, 2010 | May 2, 2010 | July 26, 2009 | Aug 1, 2010 | July 26, 2009 |
| | Q2 2011 | Q1 2011 | Q2 2010 | Q2 2011 | Q2 2010 |
| Gross Profit - Reconciliation GAAP to Non-GAAP | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| GAAP gross profit | \$ 67,432 | \$ 57,047 | \$ 36,152 | \$ 124,479 | \$ 68,884 |
| Adjustments to GAAP gross profit: | | | | | |
| Stock-based compensation expense | 646 | 526 | 344 | 1,172 | 658 |
| Fair value adjustment related to acquired inventory | - | 2,311 | - | 2,311 | - |
| Non-GAAP gross profit | \$ 68,078 | \$ 59,884 | \$ 36,496 | \$ 127,962 | \$ 69,542 |
| <hr/> | | | | | |
| | Three Months Ended | | | Six Months Ended | |
| | Aug 1, 2010 | May 2, 2010 | July 26, 2009 | Aug 1, 2010 | July 26, 2009 |
| | Q2 2011 | Q1 2011 | Q2 2010 | Q2 2011 | Q2 2010 |
| Net Income - Reconciliation GAAP to Non-GAAP | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| GAAP net income | \$ 19,662 | \$ 10,802 | \$ 7,420 | \$ 30,464 | \$ 12,364 |
| Adjustments to GAAP net income: | | | | | |

| | | | | | |
|--|--------------------|------------------|------------------|------------------|------------------|
| Stock-based compensation expense | 7,206 | 8,300 | 4,952 | 15,506 | 9,718 |
| Legal expenses related to stock option matters | 1,065 | 1,623 | (340) | 2,688 | 69 |
| Fair value adjustment related to acquired inventory | - | 2,311 | - | 2,311 | - |
| Amortization of acquired intangible assets | 2,405 | 2,405 | 302 | 4,810 | 605 |
| Restructuring cost | - | - | 160 | - | 348 |
| Total before taxes | 10,676 | 14,639 | 5,074 | 25,315 | 10,740 |
| Associated tax effect | (3,613) | (3,394) | (1,399) | (7,007) | (2,840) |
| Total of supplemental information net of taxes | 7,063 | 11,245 | 3,675 | 18,308 | 7,900 |
| Non-GAAP net income | \$ 26,725 | \$ 22,047 | \$ 11,095 | \$ 48,772 | \$ 20,264 |
| Diluted GAAP earnings per share | \$ 0.31 | \$ 0.17 | \$ 0.12 | \$ 0.48 | \$ 0.20 |
| Adjustments per above | 0.11 | 0.18 | 0.06 | 0.29 | 0.13 |
| Diluted non-GAAP earnings per share | \$ 0.42 | \$ 0.35 | \$ 0.18 | \$ 0.77 | \$ 0.33 |
| | Three Months Ended | | | Six Months Ended | |
| | Aug 1, 2010 | May 2, 2010 | July 26, 2009 | Aug 1, 2010 | July 26, 2009 |
| Tax Impact Associated With Supplemental Information | Q2 2011 | Q1 2011 | Q2 2010 | Q2 2011 | Q2 2010 |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| Adjustments to GAAP net income: | | | | | |
| Stock-based compensation expense | \$ 2,703 | \$ 1,035 | \$ 1,412 | \$ 3,738 | \$ 2,582 |
| Legal expenses related to stock option matters | 263 | 617 | (124) | 880 | 31 |
| Fair value adjustment related to acquired inventory | - | 878 | - | 878 | - |
| Amortization of acquired intangible assets | 647 | 864 | 84 | 1,511 | 169 |
| Restructuring cost | - | - | 27 | - | 58 |
| Total of associated tax effect | \$ 3,613 | \$ 3,394 | \$ 1,399 | \$ 7,007 | \$ 2,840 |

**Q3 FY11 Earnings Per Share Guidance
GAAP to Non-GAAP Reconciliation (net of tax)**

| | Low | High |
|--|------------|-------------|
| GAAP earnings per share | \$ 0.33 | \$ 0.35 |
| Stock-based compensation expense | 0.08 | 0.08 |
| Legal expenses related to stock option matters | 0.01 | 0.01 |
| Amortization of acquired intangible assets | 0.03 | 0.03 |
| Non-GAAP earnings per share | \$ 0.45 | \$ 0.47 |

SOURCE: Semtech Corp.

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