



August 19, 2015

Semtech Announces Second Quarter of Fiscal Year 2016 Results

- **Net Sales of \$125.7 Million**
- **GAAP Gross Profit Margin of 60.1% and 60.4% on a Non-GAAP Basis**
- **Cash Flow From Operations increased 132% Sequentially**
- **Repurchased 1.46 Million Shares for \$29.8 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 second quarter of fiscal year 2016, which ended July 26, 2015.

Net sales for the second quarter of fiscal year 2016 were \$125.7 million, down 3 percent from the first quarter of fiscal year 2016 and down 14 percent from the second quarter of fiscal year 2015.

Gross profit margin, computed in accordance with U.S. generally accepted accounting principles (GAAP), for the second quarter of fiscal year 2016 was 60.1 percent compared to 60.3 percent in the first quarter of fiscal year 2016 and 60.5 percent in the second quarter of fiscal year 2015.

GAAP net loss for the second quarter of fiscal year 2016 was \$0.3 million or \$0.00 per diluted share. This compares to a GAAP net loss of \$0.1 million or \$0.00 per diluted share in the first quarter of fiscal year 2016 and GAAP net income of \$17.9 million or \$0.26 per diluted share in the second quarter of fiscal year 2015.

Included in the GAAP operating results for the second quarter of fiscal year 2016 were charges that included \$3.6 million associated with the Company's reduction in force of which the majority is expected to be cash settled.

To facilitate the complete understanding of comparable financial performance between periods, the Company also presents performance results net of certain non-cash items or items that are not considered reflective of the Company's core results over time. The Company's non-GAAP measures of gross profit margin, net income and earnings per diluted share exclude certain items as described below under "Non-GAAP Financial Measures."

Excluding such items, non-GAAP net income for the second quarter of fiscal year 2016 was \$15.6 million or \$0.24 per diluted share. Non-GAAP net income was \$17.9 million or \$0.27 per diluted share in the first quarter of fiscal year 2016 and was \$28.3 million or \$0.42 per diluted share in the second quarter of fiscal year 2015.

Non-GAAP gross profit margin for the second quarter of fiscal year 2016 was 60.4 percent. Non-GAAP gross profit margin for the first quarter of fiscal year 2016 was 60.8 percent and 60.8 percent in the second quarter of fiscal year 2015.

As of the end of the second quarter of fiscal year 2016, the Company had \$212.6 million in cash, cash equivalents and marketable securities compared to \$230.3 million in cash, cash equivalents and marketable securities at the end of fiscal year 2015.

Mohan Maheswaran, Semtech's President and Chief Executive Officer, stated, "Semtech delivered results consistent with our guidance as strength in the Enterprise Computing end-market was offset by the expected declines in the other three end-markets, particularly the High-End Consumer end-market, where we experienced continued weakness from our Korean smartphone customers." Maheswaran continued, "During the quarter we took actions that included reducing our global headcount to lower and better align our operating expenses with the current environment. These actions should enable the Company to leverage our new product momentum into increased earnings power once revenue growth resumes."

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 second quarter of fiscal year 2016.

Third Quarter of Fiscal Year 2016 Outlook

- Net sales are expected to be in the range of \$110 million to \$120 million

- GAAP gross profit margin is expected to be in the range of 59.6% to 60.2%
- Non-GAAP gross profit margin is expected to be in the range of 60.0% to 60.5%
- GAAP SG&A expense is expected to be in the range of \$30.7 million to \$31.7 million
- GAAP R&D expense is expected to be in the range of \$26.2 million to \$27.2 million
- Transaction, integration and restructuring related expense is expected to be approximately \$0.5 million
- Stock-based compensation expense, is expected to be approximately \$7.4 million, categorized as follows: \$0.4 million cost of sales, \$4.5 million SG&A, and \$2.5 million R&D
- Amortization of acquired intangible assets is expected to be approximately \$6.2 million
- Interest and other expense is expected to be approximately \$1.8 million
- GAAP tax rate is expected to be in the range of 54% to 56%
- Non-GAAP tax rate is expected to be in the range of 15% to 18%
- GAAP earnings per diluted share are expected to be in the range of \$0.00 to \$0.04
- Non-GAAP earnings per diluted share are expected to be in the range of \$0.21 to \$0.27
- Fully diluted share count is expected to be approximately 65.0 million shares
- Capital expenditures are expected to be approximately \$3.0 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. The Company's measure of free cash flow excludes capital expenditures. The Company's non-GAAP measures of gross profit margin, net income and earnings per diluted share may exclude the following items, if any:

- Stock-based compensation expense
- Intangible amortization and impairments
- Restructuring, integration, transaction and other acquisition related expenses
- Litigation expenses or dispute settlement charges or gains
- Environmental reserves

To provide additional insight into the Company's third quarter outlook, this release also includes a presentation of forward-looking non-GAAP measures including gross profit margin, effective tax rate and earnings per diluted share.

These non-GAAP financial measures are adjusted to exclude the items identified above because such items are either operating expenses which would not otherwise have been incurred by the Company in the normal course of the Company's business operations or are not reflective of the Company's core results over time. These items may include recurring as well as non-recurring items, and no inference should be made that all of these adjustments, charges, costs or expenses are unusual, infrequent or non-recurring. For example: certain restructuring and integration related expenses (which consist of employee termination costs, facility closure or lease termination costs, and contract termination costs) may be considered recurring given the Company's ongoing efforts to be more cost effective and efficient; certain litigation expenses or dispute settlement charges or gains (which may include estimated losses for which we have established a reserve, as well as any actual settlements, judgments, or other resolutions against, or in favor of, the Company related to litigation, arbitration, disputes or similar matters, and insurance recoveries received by the Company related to such matters) may be viewed as recurring given that the Company may from time to time be involved in, and may resolve, litigation, arbitration, disputes, and similar matters; and certain acquisition-related adjustments or expenses may be deemed recurring given the Company's regular evaluation of potential transactions and investments.

Notwithstanding that certain adjustments, charges, costs or expenses may be considered recurring, in order to provide meaningful comparisons, the Company believes that it is appropriate to exclude such items because they are not reflective of the Company's core results and tend to vary based on timing, frequency and magnitude.

These non-GAAP financial 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 first quarter of fiscal year 2016 and second quarter of fiscal year 2015 along with a reconciliation of forward-looking earnings per diluted share to its most comparable GAAP measure for the third quarter of fiscal year 2016. 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 the Company's current expectations, estimates and projections about its 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, the prospects for newly acquired businesses to be integrated and contribute to future growth and profit expectations, and the Company's 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 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; 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; the Company's ability to realize expected benefits of a new enterprise resource planning (ERP) system implementation on SAP; disruption of the Company's operations caused by the adjustment to the ERP system and the transition from the Company's legacy systems and databases; the Company's ability to integrate its acquisitions and realize expected synergies and benefits; 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; adequate supply of components and materials from the Company's suppliers, and of the Company's products from its 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. 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 25, 2015 and information under the captions "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Risk Factors," in its Quarterly Report on Form 10-Q, 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, enterprise 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 SMTX. For more information, visit <http://www.semtech.com>.

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SEMTECH CORPORATION

CONSOLIDATED STATEMENT OF OPERATIONS

(Table in thousands - except per share amount)

	Three Months Ended			Six Months Ended	
	July 26,	April 26,	July 27,	July 26,	July 27,
	2015	2015	2014	2015	2014
	Q2 2016	Q1 2016	Q2 2015	Q2 2016	Q2 2015
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Net sales	\$ 125,712	\$ 130,088	\$ 145,742	\$ 255,800	\$ 278,601
Cost of sales	50,136	51,688	57,521	101,824	112,296
Gross profit	75,576	78,400	88,221	153,976	166,305
Operating costs and expenses:					
Selling, general and administrative	34,528	37,675	31,547	72,203	63,243
Product development and engineering	28,239	29,678	28,173	57,917	55,986
Intangible amortization and impairments	6,177	6,163	6,444	12,340	12,869
Restructuring charges	3,564	-	-	3,564	1,001
Total operating costs and expenses	72,508	73,516	66,164	146,024	133,099
Operating income (loss)	3,068	4,884	22,057	7,952	33,206
Interest expense	(1,900)	(1,834)	(1,588)	(3,734)	(2,975)
Interest income and other (expense), net	117	(493)	(345)	(376)	(623)
Income before taxes	1,285	2,557	20,124	3,842	29,608
Provision for taxes	1,598	2,699	2,226	4,297	3,843
Net (loss) income	\$ (313)	\$ (142)	\$ 17,898	\$ (455)	\$ 25,765

Earnings per share:

Basic	\$ 0.00	\$ 0.00	\$ 0.27	\$ (0.01)	\$ 0.38
Diluted	\$ 0.00	\$ 0.00	\$ 0.26	\$ (0.01)	\$ 0.38

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

Basic	65,920	66,713	67,208	66,319	67,254
Diluted	65,920	66,713	67,850	66,319	67,888

SEMTECH CORPORATION **CONSOLIDATED BALANCE SHEETS**

(Table in thousands)

	July 26, 2015 (Unaudited)	January 25, 2015 (Audited)
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 212,602	\$ 230,328
Accounts receivable, net	61,509	69,301
Inventories	80,291	73,668
Deferred tax assets	2,486	2,478
Prepaid taxes	2,891	1,544
Other current assets	17,171	19,369
Total current assets	376,950	396,688
Property, plant and equipment, net	109,075	115,471
Deferred income taxes	23	106
Goodwill	329,703	280,319
Other intangible assets, net	101,166	101,600
Other assets	32,988	35,247
Total assets	\$ 949,905	\$ 929,431

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:

Accounts payable	\$ 46,540	\$ 32,448
Accrued liabilities	51,744	49,754
Deferred revenue	6,890	5,848
Current portion - long term debt	18,555	18,547
Deferred tax liabilities	1,444	1,444
Total current liabilities	125,173	108,041

Deferred tax liabilities - non-current	2,477	2,477
Long term debt - less current	260,464	234,746
Other long-term liabilities	51,090	32,809
Stockholders' equity	510,701	551,358
Total liabilities & stockholders' equity	\$ 949,905	\$ 929,431

SEMTECH CORPORATION CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS

(Table in thousands)

Six Months Ended July 26, 2015 July 27, 2014 (Unaudited) (Unaudited)

Net (loss) income	\$ (455)	\$ 25,765
Net cash provided by operating activities	48,747	61,137
Net cash used in investing activities	(41,145)	(13,731)
Net cash used in financing activities	(25,328)	(51,933)
Net increase (decrease) in cash and cash equivalents	(17,726)	(4,527)
Cash and cash equivalents at beginning of period	230,328	243,194
Cash and cash equivalents at end of period	\$ 212,602	\$ 238,667

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

(Tables in thousands - except per share amounts)

	Three Months Ended			Six Months Ended	
	July 26, 2015	April 26, 2015	July 27, 2014	July 26, 2015	July 27, 2014
Stock-based Compensation Expense	Q2 2016	Q1 2016	Q2 2015	Q2 2016	Q2 2015
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Cost of sales	\$ 400	\$ 475	\$ 355	\$ 875	\$ 718
Selling, general and administrative	(141)	3,214	\$ 3,448	3,073	7,513
Product development and engineering	2,076	2,257	\$ 2,472	4,333	4,891
Total stock-based compensation expense	\$ 2,335	\$ 5,946	\$ 6,274	\$ 8,281	\$ 13,121

	Three Months Ended			Six Months Ended	
	July 26, 2015	April 26, 2015	July 27, 2014	July 26, 2015	July 27, 2014
Gross Profit - Reconciliation GAAP to Non-GAAP	Q2 2016	Q1 2016	Q2 2015	Q2 2016	Q2 2015
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)

GAAP gross profit	\$ 75,576	\$ 78,400	\$ 88,221	\$ 153,976	\$ 166,305
Adjustments to GAAP gross profit:					
Stock-based compensation expense	400	475	355	875	718
Acquisition related fair value adjustments	-	265	-	265	-
Impairment charges	-	-	-	-	1,056
Non-GAAP gross profit	\$ 75,976	\$ 79,140	\$ 88,576	\$ 155,116	\$ 168,079

	Three Months Ended			Six Months Ended	
	July 26, 2015	April 26, 2015	July 27, 2014	July 26, 2015	July 27, 2014
	Q2 2016	Q1 2016	Q2 2015	Q2 2016	Q2 2015
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Net Income - Reconciliation GAAP to Non-GAAP					

GAAP net income	\$ (313)	\$ (142)	\$ 17,898	\$ (455)	\$ 25,765
Adjustments to GAAP net income:					
Stock-based compensation expense	\$ 2,335	\$ 5,946	\$ 6,274	\$ 8,281	\$ 13,121
Transaction and integration related expenses	2,864	2,781	536	5,645	1,227
Acquisition related earn-out - compensation	1,144	969	(139)	2,113	(47)
Acquisition related earn-out - non-compensation	730	-	-	730	-
Intangible amortization and impairments	6,177	6,163	6,444	12,340	12,869
Environmental reserve	520	2,335	-	2,855	-
Restructuring charges	3,564	-	-	3,564	1,001
Impairment charges	-	-	-	-	1,052
Total before tax adjustment	17,334	18,194	13,115	35,528	29,223
Associated tax effect	(1,442)	(124)	(2,740)	(1,566)	(4,952)
Total of supplemental information net of taxes	15,892	18,070	10,375	33,962	24,271
Non-GAAP net (loss) income	\$ 15,579	\$ 17,928	\$ 28,273	\$ 33,507	\$ 50,036
Diluted GAAP earnings per share	\$ 0.00	\$ 0.00	\$ 0.26	\$ (0.01)	\$ 0.38
Adjustments per above	0.24	0.27	0.16	0.51	0.36
Diluted non-GAAP earnings per share	\$ 0.24	\$ 0.27	\$ 0.42	\$ 0.50	\$ 0.74

	Three Months Ended			Six Months Ended	
	July 26, 2015	April 26, 2015	July 27, 2014	July 26, 2015	July 27, 2014
	Q2 2016	Q1 2016	Q2 2015	Q2 2016	Q2 2015
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Tax Impact Associated With Supplemental Information					
Adjustments to GAAP net income:					
Stock-based compensation expense	\$ 330	\$ 1,760	\$ 1,101	\$ 2,090	\$ 2,465
Transaction and integration related expenses	385	857	183	1,242	321
Acquisition related earn-out - compensation	191	50	-	241	-
Acquisition related earn-out - non-compensation	248	-	-	248	-
Intangible amortization and impairments	1,511	1,589	1,552	3,100	3,051
Restructuring charges and impairment charges	509	-	(30)	509	311
Valuation allowance	(1,938)	(4,867)	(66)	(6,805)	(1,280)
Environmental reserve	206	735	-	941	-
Impairment charges	-	-	-	-	84
Total of associated tax effect	\$ 1,442	\$ 124	\$ 2,740	\$ 1,566	\$ 4,952

Three Months Ended		
July 26, 2015	April 26, 2015	July 27, 2014

	Q2 2016	Q1 2016	Q2 2015
	(Unaudited)	(Unaudited)	(Unaudited)
Cash Flow from Operations	\$ 34,050	\$ 14,699	\$ 38,368
Net Capital Expenditure	(3,403)	(4,841)	(6,283)
Free Cash Flow:	\$ 30,647	\$ 9,858	\$ 32,085

Q3FY16 EPS Guidance Range Reconciliation

GAAP to Non-GAAP Reconciliation (net of tax)

	Low	High
GAAP EPS	\$ 0.00	\$ 0.04
Stock based compensation expense	0.09	0.10
Transaction expense	0.03	0.04
Amortization of acquired intangibles	0.09	0.09
Non-GAAP EPS	\$ 0.21	\$ 0.27

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