

Marvell Technology Group

Investor Relations

FQ4' 2015 and FY2015 Earnings Update



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Safe Harbor: Forward-Looking Statements

All statements included in these slides, other than statements or characterizations of historical fact, are forward-looking statements within the meaning of the federal securities laws, including the Private Securities Litigation Reform Act of 1995. These forward-looking statements include, among others: guidance regarding our future financial outlook including revenue, non-GAAP gross margin, non-GAAP R&D expense, non-GAAP SG&A expense, other income/expense, tax expense and EPS (GAAP and non-GAAP) for the first quarter of fiscal 2016; and expectations in three of the end markets we serve (Mobile & Wireless, Storage and Networking). Words such as “anticipates,” “expects,” “intends,” “plans,” “believes,” “seeks,” “estimates,” “can,” “will” and similar expressions identify such forward-looking statements. These forward-looking statements are not guarantees of results and should not be considered as an indication of future performance. Actual events or results may differ materially from those described in these slides due to a number of risks and uncertainties including, among others: our ability to compete in products and prices in an intensely competitive industry; our reliance on the hard disk drive and mobile and wireless markets, which are highly cyclical and intensely competitive; costs and liabilities relating to current and future litigation; our reliance on a few customers for a significant portion of its revenue; our 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 our products are incorporated; uncertainty in the worldwide economic conditions; risks associated with manufacturing and selling a majority of our products and our customers’ products outside of the United States; and other risks detailed in our SEC filings from time to time. For other factors that could cause our results to vary from expectations, we refer you to our Quarterly Report on Form 10-Q for the quarter ended November 1, 2014 and subsequent filings with the SEC, which discuss some of the important risk factors that could contribute to such differences or otherwise affect our business, results of operations and financial condition. We undertake no obligation to revise or update publicly any forward-looking statement to reflect future events or circumstances, including the financial outlook for the first quarter of fiscal 2016 contained herein.

The payment of future quarterly cash dividends on our common shares is subject to, among other things, the best interests of our shareholders, our results of operations, cash balances and future cash requirements, financial condition, developments in ongoing litigation, statutory requirements of Bermuda law, and other factors that our board of directors may deem relevant.

The financial outlook contained herein does not include the potential impact of future share repurchases, pending litigation matters, business combinations, asset acquisitions or other investments that may be completed after February 18, 2014. Our financial outlook for the first quarter of fiscal 2016 is based on expectations, assumptions and estimates that we believe are reasonable, and is subject to a wide range of business risks and uncertainties, many of which are beyond our control. The financial outlook contained herein should not be regarded as representations by us that the estimated results will be achieved or are indicative of future results.

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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, amortization and write-off of acquired intangible assets, acquisition-related costs, restructuring and other exit related costs, litigation settlement, and certain one-time expenses or benefits. 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, the information provided by GAAP financial measures. 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.

FQ4' 2015 and FY2015 Financial Results

Key Highlights from FY2015 Results

Revenue

- FY15 revenue of \$3.7B, up 9% over FY14
- Strong growth in Mobile & Wireless on China LTE
- Steady growth in storage on HDD stabilization, solid SSD growth
- Modest Networking growth

Non-GAAP EPS & Profitability

- EPS (diluted): \$1.15
- Gross margin: 50.5%
- Operating margin: 16%
- FCF margin: 18%

Shareholder Capital Returns

- Repurchased 5.1 million shares of stock for \$65 million
- Total FY15 dividend payment of \$123 million

Source: Marvell

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Key Highlights from FQ4' 2015 Results

Revenue

- Revenue of \$857M, down 8% q/q
- Storage and Networking in-line with expectations
- Weaker-than-expected Mobile and Wireless on seasonality, 3G down-ramps, and competitive price environment

Non-GAAP EPS & Profitability

- EPS (diluted): \$0.25
- Gross margin: 52%
- Operating margin: 15%
- FCF margin: 16%

Shareholder Capital Returns

- Repurchased 1.4 million shares of stock for \$20 million
- Quarterly payment of \$31 million in dividends or 6 cents per share

Source: Marvell

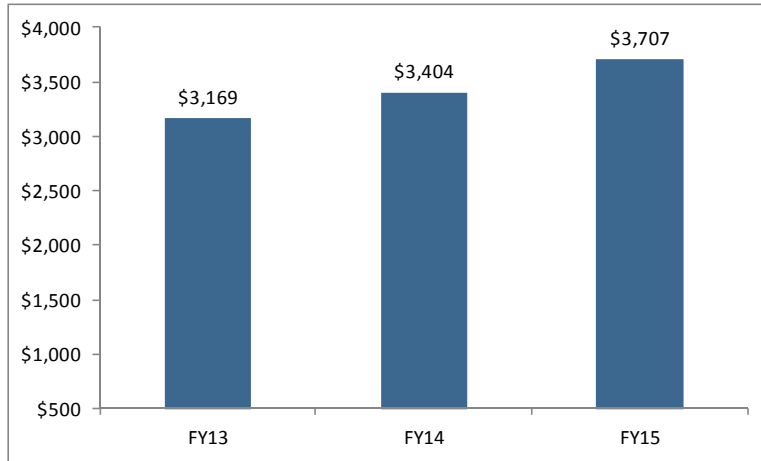
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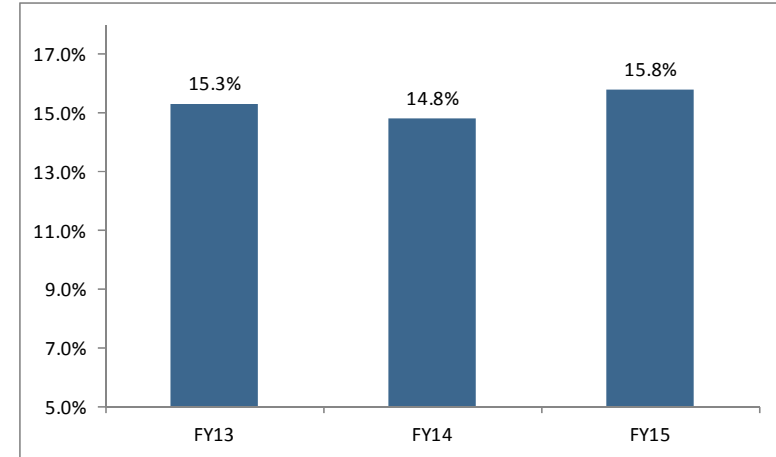
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FY2015 Financial Summary

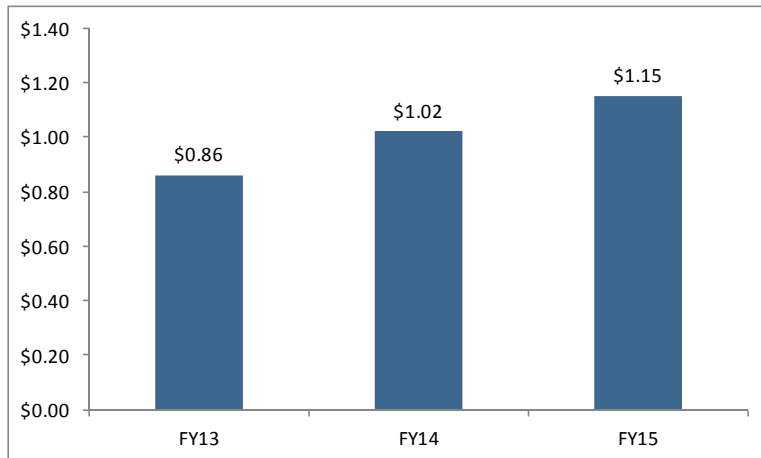
FY Revenue (\$M)



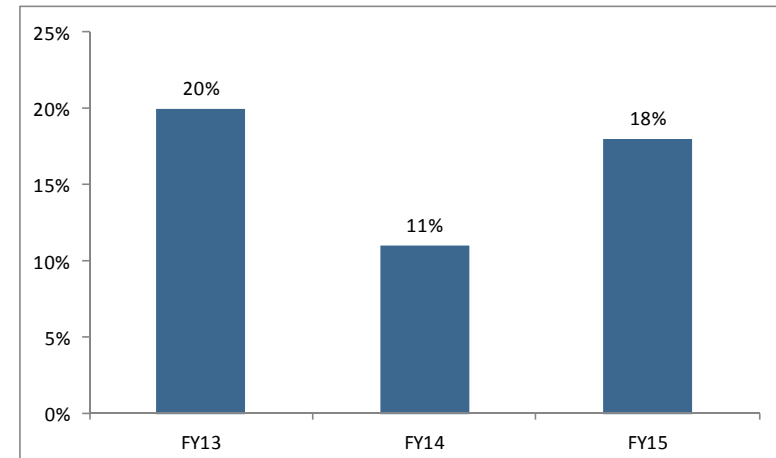
FY Non-GAAP Operating Margin (%)



FY Non-GAAP Diluted EPS (\$)



FY FCF Margin (%)

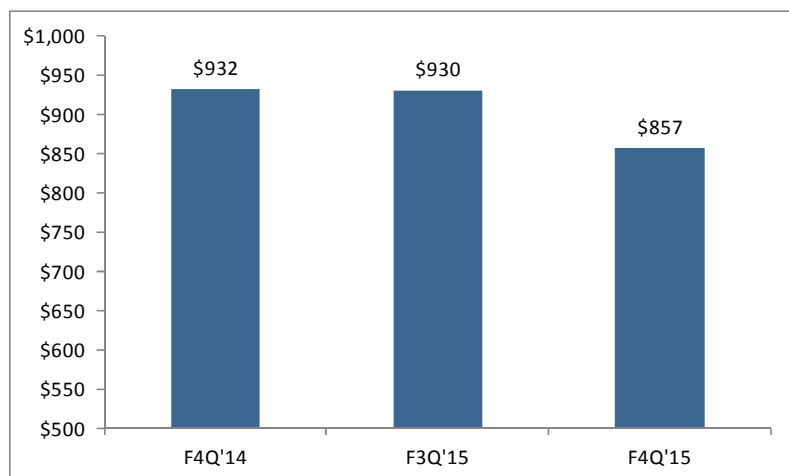


Source: Marvell

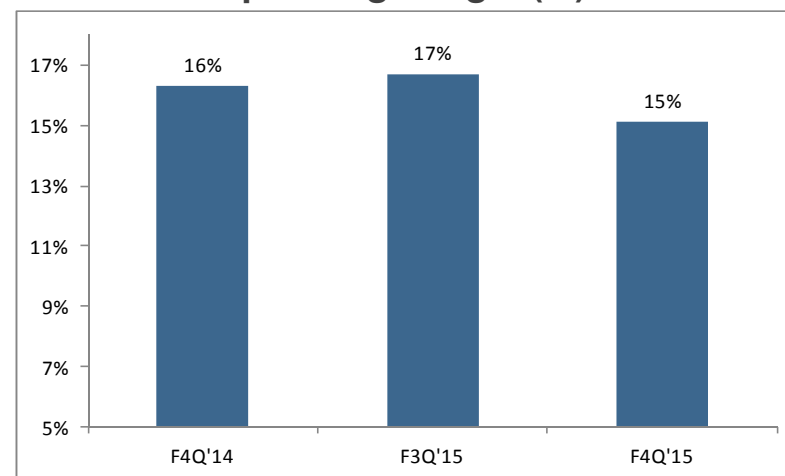
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FQ4' 2015 Financial Summary

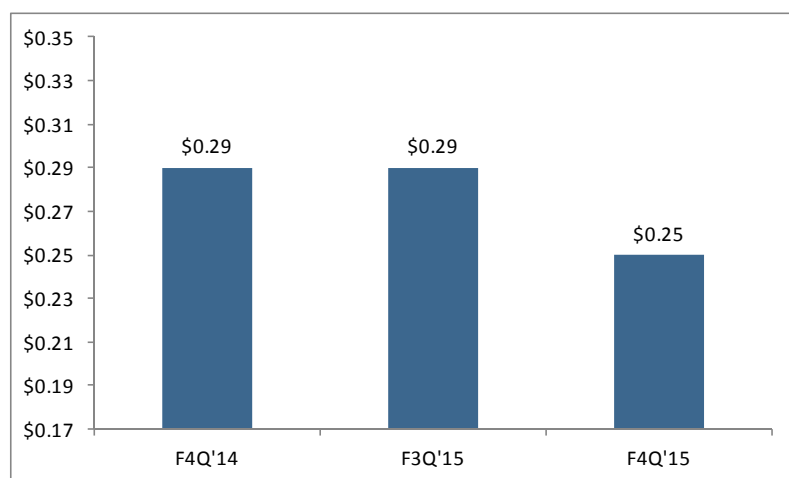
FQ Revenue (\$M)



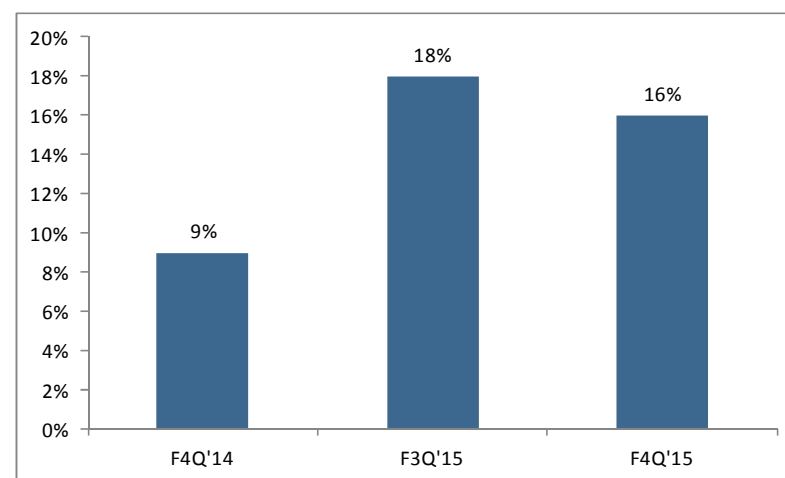
FQ Non-GAAP Operating Margin (%)



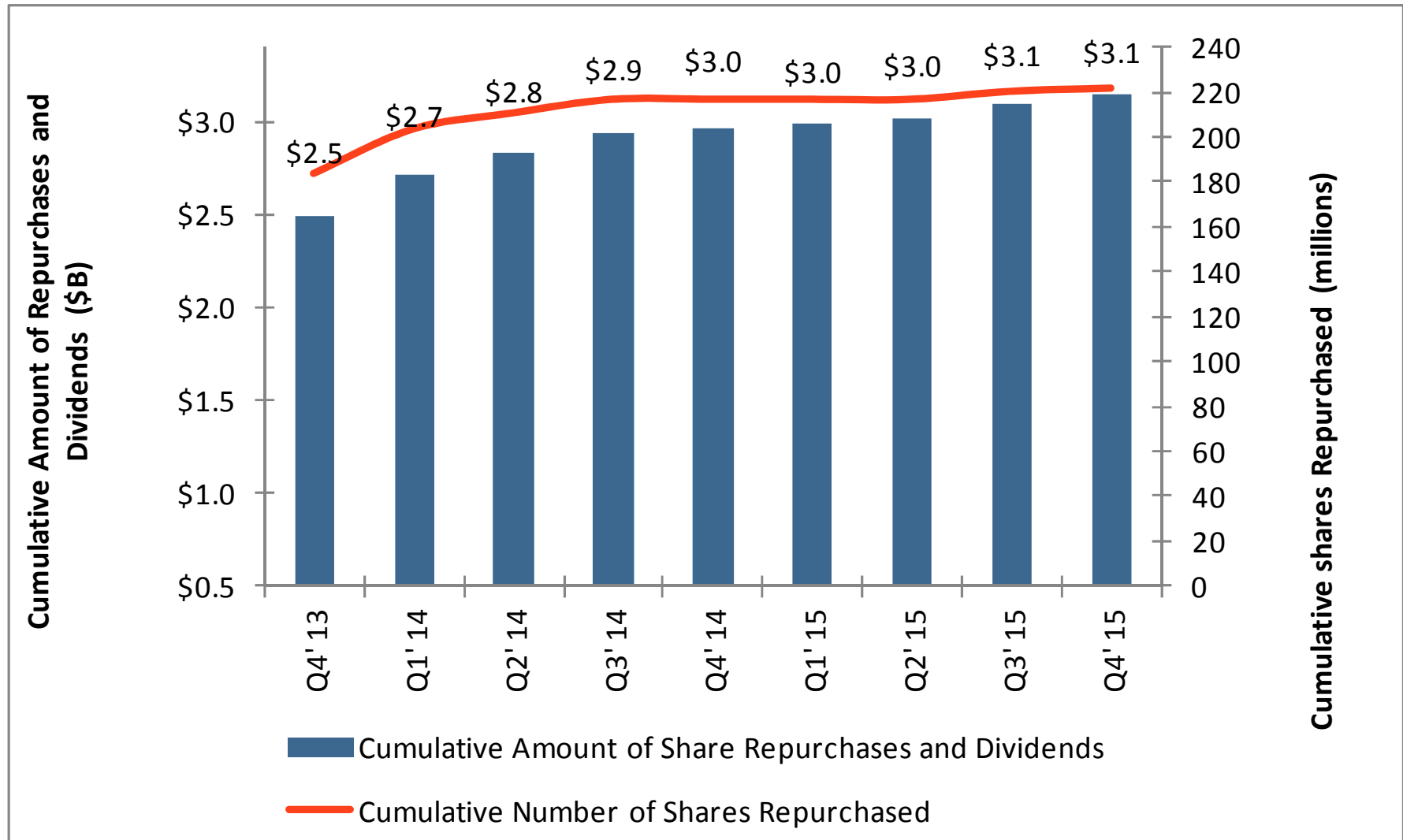
FQ Non-GAAP Diluted EPS (\$)



FQ FCF Margin (%)

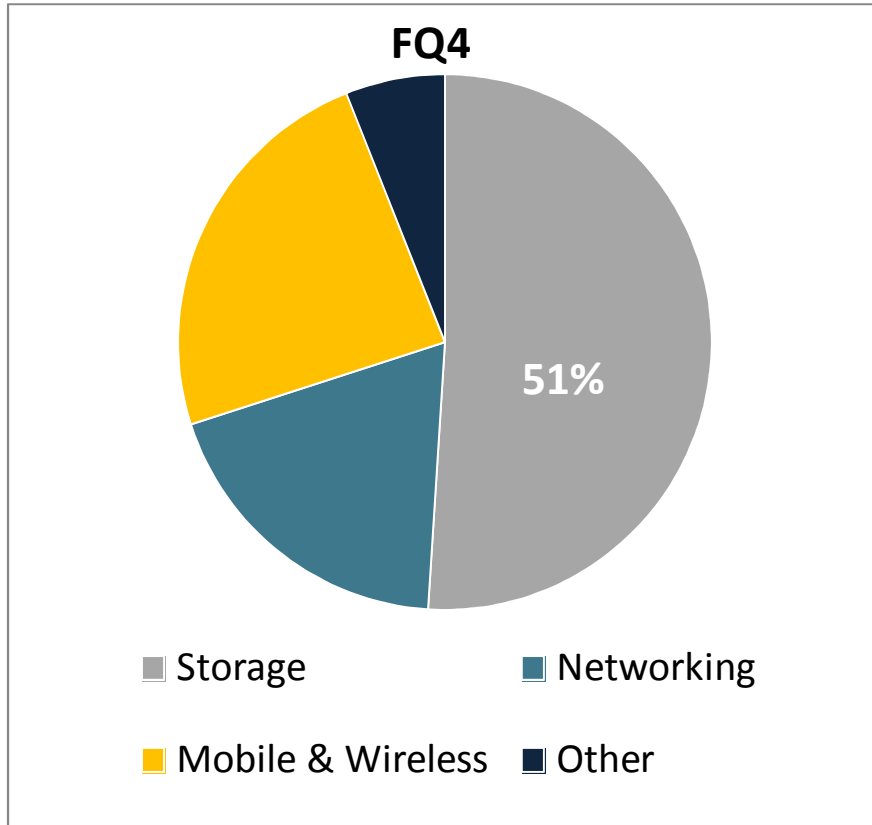


Return of Capital



Source: Marvell

End Markets: Storage



Source: Marvell

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FY15 Highlights

- Overall Storage revenue grew 4% over FY14, 47% of total sales
- Steady HDD unit growth
- SSD grew by double-digit %

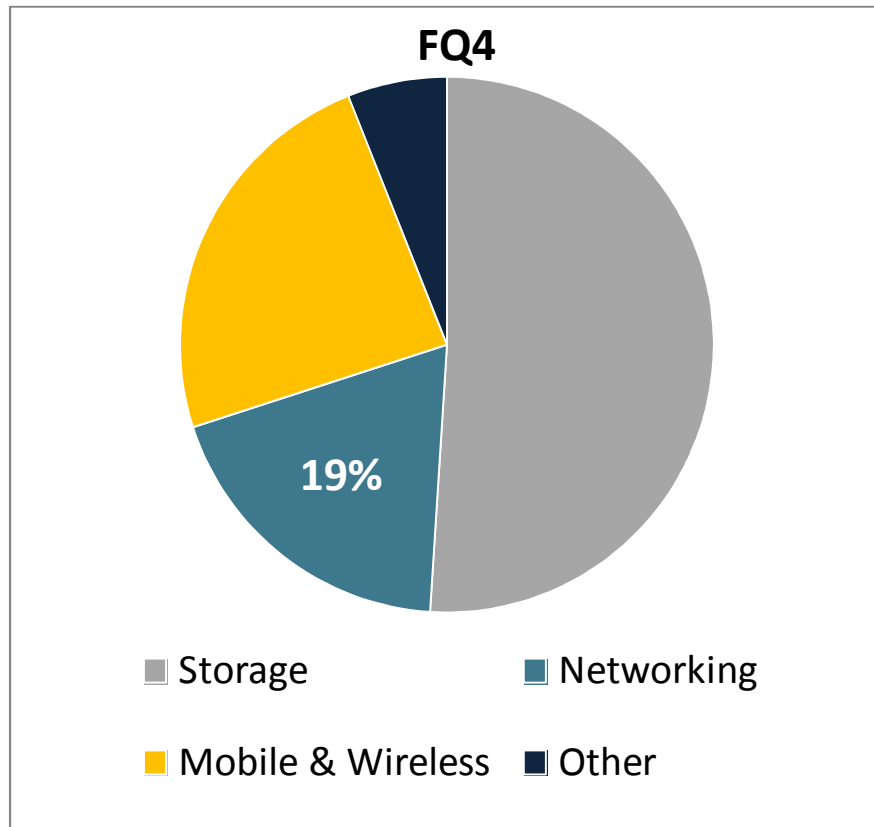
FQ4 Highlights

- 51% of overall revenue
- Overall Storage revenue declined 4% q/q
- HDD declined q/q in-line with industry TAM
- SSDs declined on seasonality

FQ1 Expectations

- Seasonal decline from FQ4 for HDD and SSD

End Markets: Networking



FY15 Highlights

- Networking grew 1% from FY14, 18% of total sales
- Gaining traction at service provider, datacenter customers

FQ4 Highlights

- 19% of overall revenue
- Overall Networking declined 3% q/q
- Revenue decline on carrier weakness
- Strength in Ethernet and processor product lines

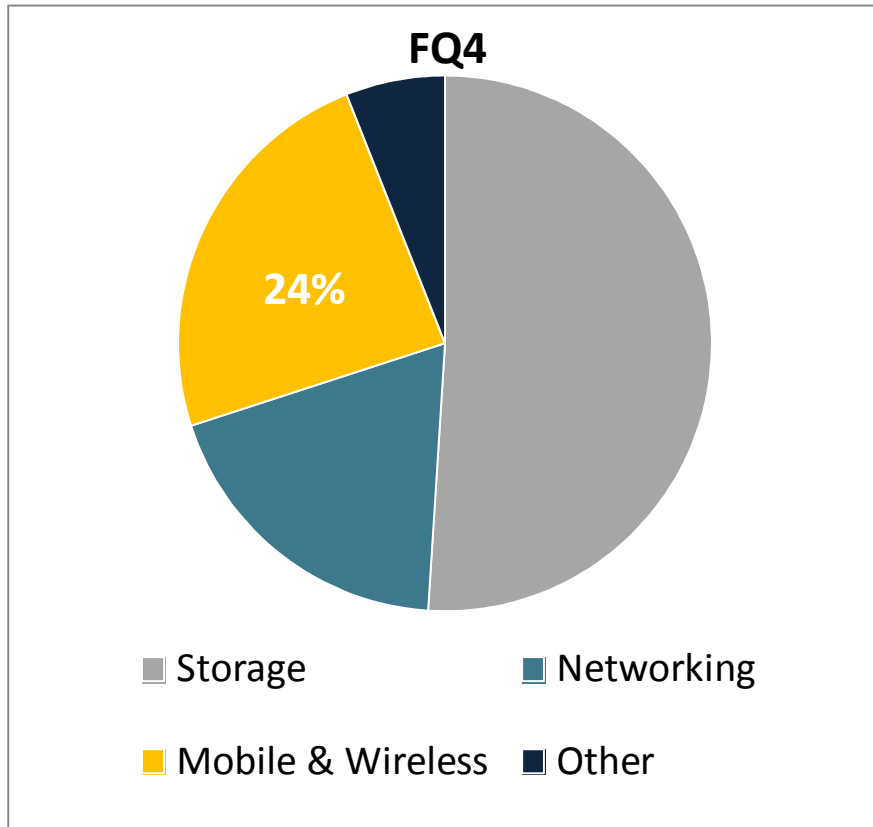
FQ1 Expectations

- Modest growth from FQ4

Source: Marvell

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End Markets: Mobile & Wireless



Source: Marvell

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FY15 Highlights

- Mobile & Wireless grew 28% from FY14, 29% of total sales
- Initial volume ramps of 4G LTE
- #2 market share in China LTE

FQ4 Highlights

- 24% of overall revenue
- Mobile & Wireless declined 19% q/q
- LTE shipments increased over 50% q/q
- Mobile revenue declined due to seasonality, on-going 3G ramp-downs, competitive price environment
- Wireless connectivity performed in-line with expectations

FQ1 Expectations

- Slight sequential decline from FQ4 on soft seasonality in connectivity, partially offset by mobile growth

FQ1' 2016 Financial Outlook

FQ1' 2016 Outlook

	FQ1' 2016 Outlook
Revenue	\$810 to \$830 million
Non-GAAP Gross Margin	50.5% +/- 100 bps
Non-GAAP Operating Expense	\$320 million +/- \$10 million
Non-GAAP R&D Expense	\$265 million
Non-GAAP SG&A Expense	\$55 million
Other Income / (Expense)	\$2 million
Tax Expense	\$2 million
Non-GAAP EPS (diluted)	\$0.18 +/- \$0.01
GAAP EPS (diluted)	\$0.09 +/- \$0.01

Source: Marvell

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Financial Statements

Unaudited Statement of Operations

(In thousands, except per share amounts)

	Q1'14	Q2'14	Q3'14	Q4'14	Q1'15	Q2'15	Q3'15	Q4'15
Net revenue	\$ 734,369	\$ 807,056	\$ 931,226	\$ 931,749	\$ 957,830	\$ 961,545	\$ 930,136	\$ 857,452
Cost of goods sold	335,438	386,059	464,981	477,252	493,860	477,741	454,974	417,131
Gross profit	398,931	420,997	466,245	454,497	463,970	483,804	475,162	440,321
Operating expenses:								
Research and development	279,052	292,642	296,291	288,900	295,363	294,764	288,435	285,497
Selling and marketing	39,989	38,548	37,496	36,665	38,358	33,949	34,410	37,235
General and administrative	26,323	27,192	26,589	26,367	30,573	31,333	33,473	34,651
Amortization and write-off of acquired intangible assets	10,686	10,638	10,645	11,956	6,689	3,304	3,304	3,100
Total operating expenses	356,050	369,020	371,021	363,888	370,983	363,350	359,622	360,483
Operating income	42,881	51,977	95,224	90,609	92,987	120,454	115,540	79,838
Interest and other income, net	3,160	8,253	1,536	12,617	1,925	12,263	4,764	4,382
Income before income taxes	46,041	60,230	96,760	103,226	94,912	132,717	120,304	84,220
Provision (benefit) for income taxes	(7,168)	(1,596)	(6,396)	6,097	(4,567)	(6,153)	5,000	2,527
Net income	\$ 53,209	\$ 61,826	\$ 103,156	\$ 97,129	\$ 99,479	\$ 138,870	\$ 115,304	\$ 81,693
Net income per share - basic	0.11	0.13	0.21	0.20	0.20	0.27	0.22	0.16
Net income per share - diluted	0.11	0.12	0.21	0.19	0.19	0.27	0.22	0.16
Weighted average shares — basic	502,180	494,293	491,979	497,620	505,105	511,821	513,859	513,574
Weighted average shares — diluted	505,387	500,625	501,189	510,449	520,751	520,269	519,907	522,122

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	1,867	1,868	2,531	2,597	2,299	1,733	1,934	2,006
Research and development	23,279	28,982	30,084	27,087	20,368	24,276	24,198	25,590
Selling and marketing	3,392	3,648	3,738	3,162	2,928	2,617	2,855	3,069
General and administrative	4,975	6,593	6,848	5,222	4,374	6,394	5,307	7,298

Source: Marvell

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Unaudited Statement of Cash Flows

(In thousands)

	Q1'14	Q2'14	Q3'14	Q4'14	Q1'15	Q2'15	Q3'15	Q4'15
Cash flows from operating activities:								
Net income	\$ 53,209	\$ 61,826	\$ 103,156	\$ 97,129	\$ 99,479	\$ 138,870	\$ 115,304	\$ 81,693
Adjustments to reconcile net income to net cash provided by operating activities:								
Depreciation and amortization	24,966	25,697	25,913	26,176	27,006	26,263	26,515	26,464
Share-based compensation	33,513	41,091	43,201	38,068	29,969	35,020	34,294	37,963
Amortization and write-off of acquired intangible assets	10,686	10,638	10,645	12,037	7,174	3,789	3,789	3,585
Other expense (income), net	2,523	1,816	1,655	2,184	1,470	(7,596)	(6,034)	(1,699)
Gain from sale of a product line	-	-	-	(6,975)	-	-	-	-
Restructuring and exit-related costs	-	-	-	-	-	-	-	3,230
Excess tax benefits from share-based compensation	(7)	(25)	(10)	22	(44)	(32)	(2)	(67)
(Gain) on equity investment	-	-	-	-	-	-	-	-
Changes in assets and liabilities:								
Restricted cash								
Accounts receivable	(40,112)	(60,524)	(35,855)	13,233	(63,578)	33,419	53,434	25,719
Inventories	(20,123)	(64,170)	(45,157)	32,262	(3,105)	(43,194)	37,506	48,247
Prepaid expenses and other assets	6,802	12,503	(4,293)	8,365	(2,161)	(24,996)	18,536	4,087
Accounts payable	28,936	54,933	44,442	(88,520)	85,128	2,558	(70,749)	(60,808)
Accrued liabilities and other non-current liabilities	(20,081)	(13,013)	12,584	10,883	(7,134)	10,096	(24,997)	(12,189)
Accrued employee compensation	4,423	(471)	10,013	(19,752)	30,001	(7,451)	19,101	1,910
Deferred income	(880)	16,195	10,905	(24,623)	30,932	(9,792)	(12,053)	(2,714)
Net cash provided by operating activities	83,855	86,496	177,199	100,489	235,137	156,954	194,644	155,421
Cash flows from investing activities:								
Purchases of available-for-sale securities	(306,838)	(164,631)	(220,280)	(146,143)	(181,889)	(153,881)	(448,526)	(344,023)
Sales and maturities of available-for-sale securities	335,771	162,909	346,826	149,533	182,311	190,099	205,685	248,215
Net proceeds from sale of a product line	-	-	-	6,306	-	-	-	-
Investments in privately-held-companies	-	(750)	(1,119)	-	(441)	-	(260)	-
Cash paid for acquisitions, net	(2,551)	-	-	-	-	-	-	-
Purchases of technology licenses	(5,860)	(1,750)	(6,383)	(3,654)	(8,111)	(1,298)	(5,105)	(1,910)
Purchases of property and equipment	(20,080)	(18,981)	(14,222)	(13,310)	(16,131)	(15,823)	(16,661)	(14,415)
Net cash provided by (used in) investing activities	442	(23,203)	104,822	(7,268)	(24,261)	19,097	(264,867)	(112,133)
Cash flows from financing activities:								
Repurchase of common stock	(216,694)	(88,114)	(71,477)	-	-	-	(43,774)	(21,188)
Proceeds from employee stock plans	19,805	53,316	24,155	107,686	19,092	49,282	2,934	41,049
Minimum tax withholding paid on behalf of employees for net share settlement	(9,378)	(510)	(518)	(466)	(24,286)	(637)	(663)	(908)
Dividend payment to shareholders	(30,253)	(29,791)	(29,516)	(29,889)	(30,172)	(30,820)	(30,867)	(30,942)
Payments on technology license obligations	(5,317)	(984)	-	(1,110)	-	(2,677)	(5,951)	(4,382)
Excess tax benefits from share-based compensation	7	25	10	(22)	44	32	2	67
Net cash provided by (used in) financing activities	(241,830)	(66,058)	(77,346)	76,199	(35,322)	15,180	(78,319)	(16,304)
Net increase (decrease) in cash and cash equivalents	(157,533)	(2,765)	204,675	169,420	175,554	191,231	(148,542)	26,984
Cash and cash equivalents at beginning of period	751,953	594,420	591,655	796,330	965,750	1,141,304	1,332,535	1,183,993
Cash and cash equivalents at end of period	\$ 594,420	\$ 591,655	\$ 796,330	\$ 965,750	\$ 1,141,304	\$ 1,332,535	\$ 1,183,993	\$ 1,210,977
Unaudited Supplemental Financial Information								
GAAP net cash provided by operating activities	\$ 83,855	\$ 86,496	\$ 177,199	\$ 100,489	\$ 235,137	\$ 156,954	\$ 194,644	\$ 155,421
Purchases of technology licenses	(5,860)	(1,750)	(6,383)	(3,654)	(8,111)	(1,298)	(5,105)	(1,910)
Purchases of property and equipment	(20,080)	(18,981)	(14,222)	(13,310)	(16,131)	(15,823)	(16,661)	(14,415)
Payment on technology license obligations	(5,317)	(984)	-	(1,110)	-	(2,677)	(5,951)	(4,382)
Free cash flow	\$ 52,598	\$ 64,781	\$ 156,594	\$ 82,415	\$ 210,895	\$ 137,156	\$ 166,927	\$ 134,714

Unaudited Balance Sheet

(In thousands)

	Q1'14	Q2'14	Q3'14	Q4'14	Q1'15	Q2'15	Q3'15	Q4'15
Assets								
Current assets:								
Cash, cash equivalents, and short-term investments	\$ 1,732,643	\$ 1,726,198	\$ 1,804,068	\$ 1,969,405	\$ 2,146,445	\$ 2,300,004	\$ 2,402,778	\$ 2,529,555
Accounts receivable, net	370,350	430,874	466,729	453,496	517,074	498,484	445,050	420,955
Inventories	270,652	335,320	380,412	347,861	350,649	393,957	356,417	308,162
Prepaid expenses and other current assets	79,269	66,238	66,450	68,458	72,815	96,561	82,117	85,368
Total current assets	2,452,914	2,558,630	2,717,659	2,839,220	3,086,983	3,289,006	3,286,362	3,344,040
Property and equipment, net	370,634	363,486	358,150	356,165	349,321	344,836	343,101	340,639
Long-term investments	16,550	16,299	16,158	16,279	13,456	13,422	10,077	10,226
Goodwill and acquired intangible assets, net	2,114,893	2,104,255	2,093,610	2,078,980	2,071,806	2,068,017	2,064,228	2,060,643
Other non-current assets	166,176	161,574	162,379	160,366	161,406	150,413	145,039	128,839
Total assets	\$ 5,121,167	\$ 5,204,244	\$ 5,347,956	\$ 5,451,010	\$ 5,682,972	\$ 5,865,694	\$ 5,848,807	\$ 5,884,387
Liabilities and Shareholders' Equity								
Current liabilities:								
Accounts payable	\$ 307,393	\$ 355,164	\$ 400,403	\$ 316,389	\$ 409,005	\$ 415,718	\$ 341,431	\$ 282,899
Accrued liabilities	246,432	242,953	270,199	273,170	288,076	293,378	293,143	286,357
Deferred income	59,270	75,465	86,370	61,747	92,679	82,887	70,834	68,120
Total current liabilities	613,095	673,582	756,972	651,306	789,760	791,983	705,408	637,376
Other non-current liabilities	155,631	138,152	127,765	123,794	123,725	112,177	109,489	100,922
Total liabilities	768,726	811,734	884,737	775,100	913,485	904,160	814,897	738,298
Shareholders' equity:								
Common stock	2,790,522	2,802,304	2,797,744	2,942,655	2,967,113	3,050,892	3,042,422	3,100,578
Accumulated other comprehensive income (loss)	2,176	(1,572)	57	597	409	627	(2,964)	308
Retained earnings	1,559,743	1,591,778	1,665,418	1,732,658	1,801,965	1,910,015	1,994,452	2,045,203
Total shareholders' equity	4,352,441	4,392,510	4,463,219	4,675,910	4,769,487	4,961,534	5,033,910	5,146,089
Total liabilities and shareholders' equity	\$ 5,121,167	\$ 5,204,244	\$ 5,347,956	\$ 5,451,010	\$ 5,682,972	\$ 5,865,694	\$ 5,848,807	\$ 5,884,387

Source: Marvell

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Unaudited GAAP to Non-GAAP Reconciliations

(In thousands, except per share amounts)

	Q1'14	Q2'14	Q3'14	Q4'14	Q1'15	Q2'15	Q3'15	Q4'15
GAAP Net income	\$ 53,209	\$ 61,826	\$ 103,156	\$ 97,129	\$ 99,479	\$ 138,870	\$ 115,304	\$ 81,693
(1) Cost of goods sold								
Share-based compensation	1,867	1,868	2,531	2,597	2,299	1,733	1,934	2,006
Amortization of acquired intangible assets	-	-	-	228	925	925	925	925
Litigation settlement	-	4,728	-	9,500	-	-	(3,998)	-
Other	-	-	-	-	-	-	-	1,000
(2) Research and development:								
Share-based compensation	23,279	28,982	30,084	27,087	20,368	24,276	24,198	25,590
Acquisition related costs	400	(1,135)	414	116	-	-	-	-
Restructuring and other exit related	-	-	4,613	829	4,682	412	88	67
Tax-related matter	-	-	-	-	-	-	-	-
(3) Selling and marketing:								
Share-based compensation	3,392	3,648	3,738	3,162	2,928	2,617	2,855	3,069
Acquisition related costs	45	34	-	-	-	-	-	-
Restructuring and other exit related	-	-	795	-	48	(48)	-	-
Litigation settlement	-	-	-	-	-	-	1,600	-
(4) General and administrative:								
Share-based compensation	4,975	6,593	6,848	5,222	4,374	6,394	5,307	7,298
Acquisition related costs	20	20	19	5	-	-	-	-
Restructuring and other exit related	228	178	527	118	358	371	1,115	3,345
Litigation settlement	-	500	-	-	2,000	475	-	-
Other	-	-	-	-	-	2,155	2,318	2,764
(5) Other operating costs and expenses:								
Amortization and write-off of acquired intangible assets	10,686	10,638	10,645	11,956	6,689	3,304	3,304	3,100
(6) Gain from sale of a product line:	-	-	-	(6,975)	-	-	-	-
Non-GAAP Net income	\$ 98,101	\$ 117,880	\$ 163,370	\$ 150,974	\$ 144,150	\$ 181,484	\$ 154,950	\$ 130,857
Non-GAAP Operating income	\$ 87,773	\$ 108,031	\$ 155,438	\$ 151,429	\$ 137,658	\$ 163,068	\$ 155,186	\$ 129,002
GAAP Weighted average shares — diluted	505,387	500,625	501,189	510,449	520,751	520,269	519,907	522,122
Non-GAAP adjustment	17,094	15,021	13,014	12,932	9,625	13,201	12,905	10,678
Non-GAAP Weighted average shares — diluted	522,481	515,646	514,203	523,381	530,376	533,470	532,812	532,800

Source: Marvell

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