



Exar Corporation Investor Relations Presentation

May 2016

Forward-Looking Statements

Except for historical information contained herein, this press release and matters discussed on the conference call contain forward-looking statements within the meaning of the “safe harbor” provisions of the Private Securities Litigation Reform Act of 1995. These statements are based on management's current expectations and beliefs and are subject to a number of factors and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements. In particular, the statements regarding the Company entering fiscal year 2017 with strong momentum on multiple fronts, and the Company's financial outlook expectations for the first quarter ending July 3, 2016, respectively, are forward-looking statements. The forward-looking statements are subject to certain risks and uncertainties. Therefore, actual outcomes and results may differ materially from what is expressed herein. For a discussion of these risks and uncertainties, the Company urges investors to review in detail the risks and uncertainties and other factors described in its Securities and Exchange Commission (SEC) filings, including, but not limited to, the “Risk Factors”, “Forward-Looking Statements” and “Management's Discussion and Analysis of Financial Condition and Results of Operations” sections of our public reports filed with the SEC, including our periodic reports on Form 10-K and Form 10-Q, which are on file with the SEC and available on our Investor webpage and on the SEC website at www.sec.gov. Additional risks include uncertainties of whether any strategic alternative will be identified by the Board of Directors, whether it will be pursued, whether it will receive Board of Directors and stockholder approval if necessary, whether it will be consummated and, if consummated, whether it will enhance value for all stockholders of Exar. The Company assumes no obligation to update any forward-looking statements or information, which speak as of their respective dates.

There can be no assurance that Exar's review of strategic alternatives will result in any specific action. Exar does not currently intend to disclose further developments with respect to this process unless and until its Board of Directors approves a specific action or otherwise concludes the review of strategic alternatives.

Generally Accepted Accounting Principles

The Company's non-GAAP measures exclude charges related to stock-based compensation, amortization of acquired intangible assets and inventory step-up, impairment charges, technology licenses, restructuring charges and exit costs which include costs for personnel whose positions have been eliminated as part of a restructuring or are in the process of being eliminated, severance costs associated with the former CEO, accruals for and proceeds received from dispute resolutions and patent litigation, merger and acquisition and related integration costs, certain income tax benefits and credits, certain warranty charges, net change in the fair value of contingent consideration, the write-down of deferred revenue under business combination accounting, and related income tax effects on certain excluded items. The Company excludes these items primarily because they are significant special expense and gain estimates, which management separates for consideration when evaluating and managing business operations. The Company's management uses non-GAAP net income and non-GAAP earnings per share to evaluate its current operating results and financial results and to compare them against historical financial results. Additionally, we disclose below the non-GAAP measure of free cash flow, which is derived from our net cash provided (used) by operations, less purchases of fixed assets and IP, plus proceeds from the sale of IP. Management believes these non-GAAP measures are useful to investors because they are frequently used by securities analysts, investors and other interested parties in evaluating the Company and provides further clarity on its profitability.

In addition, the Company believes that providing investors with these non-GAAP measurements enhances their ability to compare the Company's business against that of its many competitors who employ and disclose similar non-GAAP measures. However, the manner in which we calculate these financial measures may be different from non-GAAP methods of accounting and reporting used by the Company's competitors to the extent their non-GAAP measures include or exclude other items. The material limitation associated with the use of non-GAAP financial measures is that non-GAAP measures may not reflect the full economic impact of Exar's activities. Accordingly, investors are cautioned not to place undue reliance on non-GAAP measures. The presentation of this additional information should not be considered a substitute for measures prepared in accordance with GAAP.

Exar Corporation

Investor
Conference

Agenda

**Company
Overview**

Market and
Products

Q&A

Growth
Strategy

Financial
Review



Exar Corporation Company Overview

- Founded: 1971; Headquarters: Fremont, California
- Design Centers: Silicon Valley, California; Hangzhou, China; Taipei, Taiwan; Hsinchu, Taiwan
- Serve Large Markets where Value is Rewarded
 - Industrial, High-End Consumer, Infrastructure
- Broad Analog Mixed-Signal Product Portfolio
 - Power Management
 - Interface
 - High Performance Analog
 - Other (ASSP, processor, etc.)
- Employees: ~250*
- Balance Sheet: ~\$80M* Cash, No Debt
- Minimal Tax Rate with ~\$300M* NOLs



Sale-Leaseback of Fremont, CA facility completed May-16 for \$26M

* Employee count and Cash as of Apr-2016; NOLs as of Mar-2016



Management

- **Richard Leza – Chairman, Interim President & CEO**
 - AI Research Corporation, CastaLink, Inc., NucleoTech Corporation
- **Ryan Benton – SVP, CFO**
 - Arthur Andersen & Co., Pegasus Solutions, eFunds, ASMI, SoloPower, Synapsense
- **James Loughheed – SVP World-Wide Sales & Marketing**
 - Cirrus Logic, Future Electronics, Apexone Microelectronics, EDM I
- **Dimitry Goder – SVP Component Engineering**
 - Linear Technology, ON Semiconductor, Sipex, IDT
- **Hung Le – SVP IC Engineering**
 - Texas Instruments, Microsemi, IDT
- **Dan Wark – VP Worldwide Operations**
 - Linear Technology, National Semiconductor, Pericom, Volterra, Amalfi Semiconductor
- **Diane Hill – VP Human Resources**
 - Daisy Systems Corporation, Teledyne MEC



Strategy to Grow and Exceed Target Model

Produce differentiated products utilizing our core technologies

Win quality Tier 1 design wins with nimble execution

Grow high-quality revenue streams

Drive down cost of goods sold by going to China

Expand gross margins and operating margins

Build sustainable free cash flow

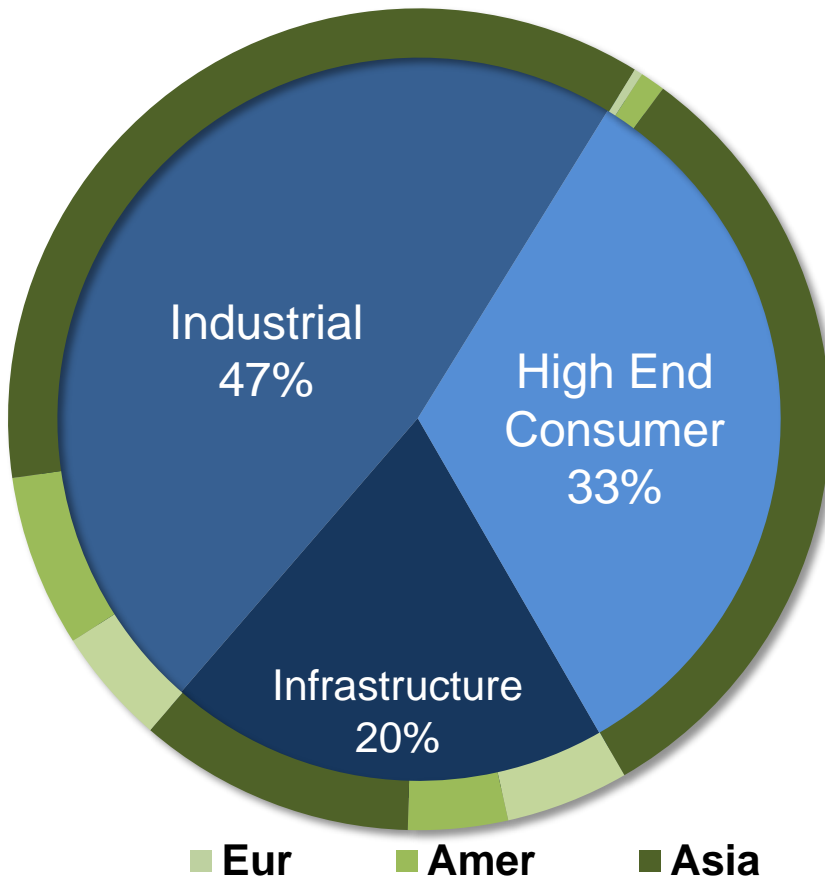
We are focused and committed to this strategy in order to deliver our “50/50 (Quarterly Sales/Gross Margin) Target Model”

Note: Based on Non-GAAP financial data.



Fiscal 2016 Q4 Highlights

\$36.8M Revenue



■ Q4 FY 16 Highlights:

- Strong Customer Demand:
 - › Base Customer demand increasing
 - › Tier 1 Design Win Traction gaining
- COGS Down
 - › Significant Momentum reinventing the Supply Chain in China
- Free Cash Flow
 - › Generated \$4.3M in Free Cash Flow

■ Channel Sales Mix:

- 73% Distribution
- 27% Direct

■ Geographic Sales Mix:

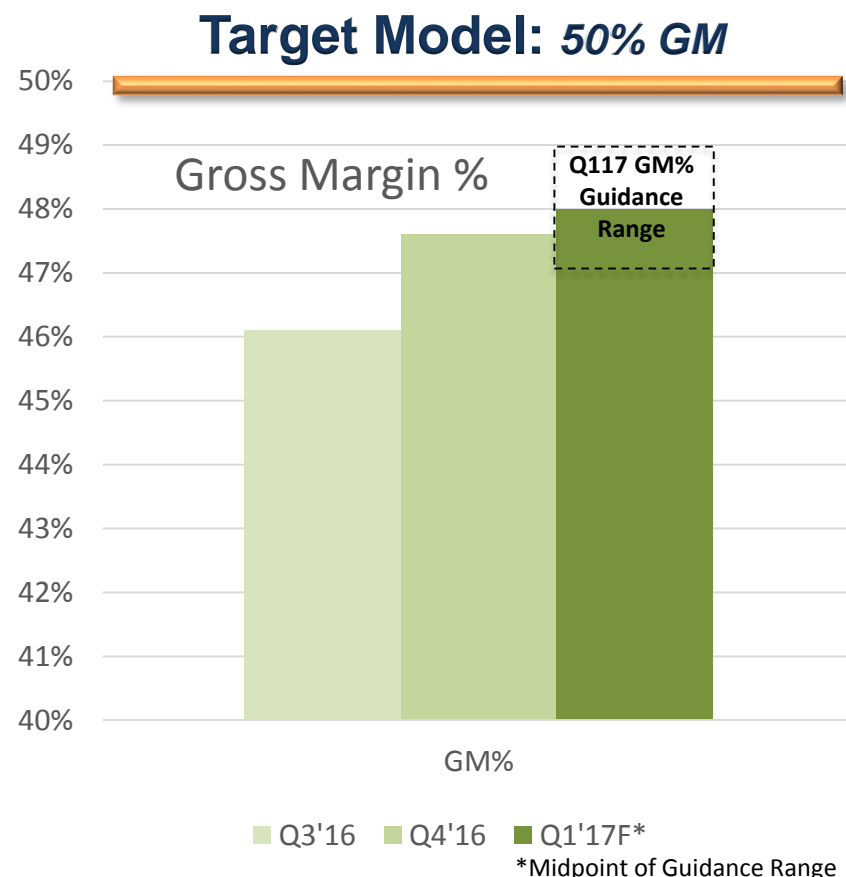
- 78% Asia
- 12% Americas
- 10% Europe

Note: Based on Non-GAAP financial data.



COGS Reduction: Ahead of Schedule

- All Functions Focused on Cost Downs for high volume business
 - Top 20 cost downs already achieved \$750k of quarterly savings
 - Reduced manuf. overhead by over 30%!
 - Die size reductions and negotiation with Foundries showing limited progress
 - Progress on display products gated by PCNs with end customers
- Move to China Reached Critical Mass
 - China Ops Team is now over 10 people
 - China back-end spend expected to grow to 60% in Q3'17. Win-Win!



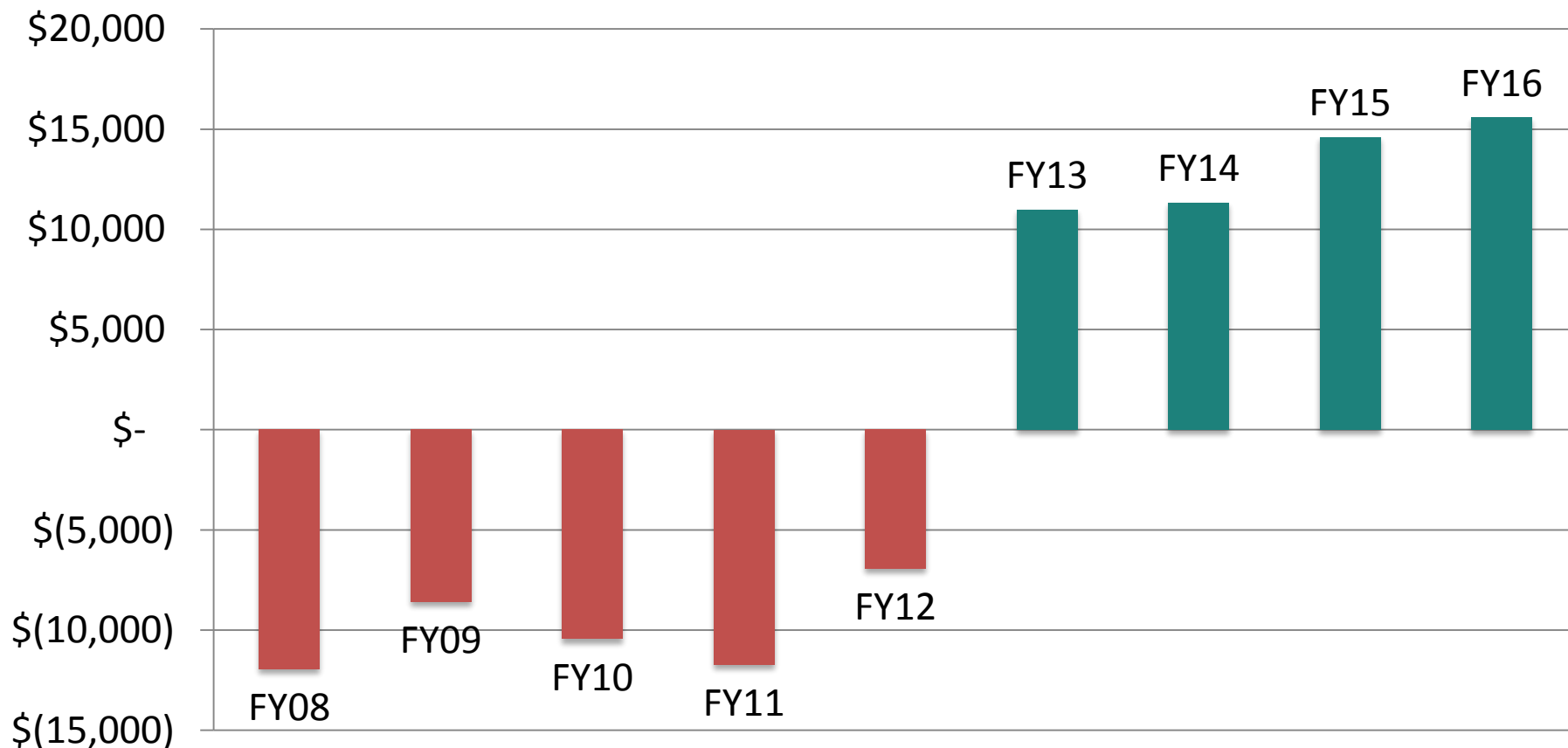
Goal of \$1 million Quarterly Savings in COGS achieved ahead of schedule!
Mission not accomplished. Team is hungry for more.

Note: Based on Non-GAAP financial data.



Staying Focused on Improving Profitability

Non-GAAP Operating Income (Loss) (\$k)



Note: Based on Non-GAAP financial data.



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**Growth
Strategy**

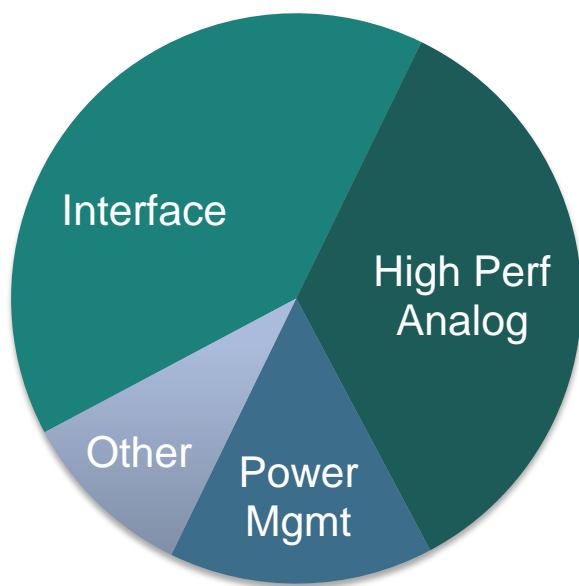
Financial
Review



Leverage IP Breadth to Unleash Value

- Utilize functionality from existing IP portfolio to meet customer needs
- Exar's growing IP portfolio enables flexible development
- Industry consolidation creating opportunities for Exar

Relative Sales Mix

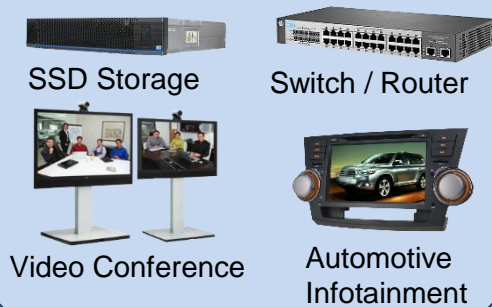


IP Domain	Product Lines	Key New Products
Interface	UARTs, Bridges, Serial Transceivers, Multi-Protocol Transceivers	USB/Ethernet Bridge LV Logic Serial Transceivers
High Performance Analog	Amplifiers (VCOM & Industrial) Signal Conditioning/AFE P-Gamma, DVR	P-Gamma / PMIC Force Sense Touch
Power Management	Linear, Switchers, Modules, PMICs (Display & Industrial) LED Lighting	Power Modules HV Universal PMIC HV Powerblox LED AC Step Driver

Growth Strategy

- + Increasing Number of Tier 1 Engagements
- + Increasing Level of Tier 1 Engagements
- = Increasing level of ROI

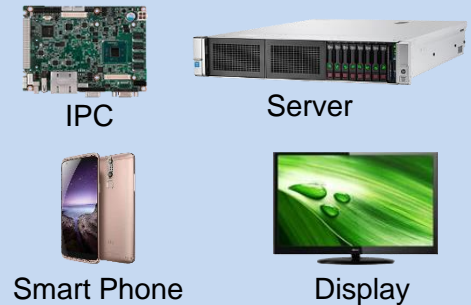
Phase 1 Initial Engagements



Phase 2 Expansion



Phase 3 Proprietary Designs



Level of Engagement

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Industrial Market

\$2.2B Exar SAM

Process Control / Automation
Industrial IoT
Point of Sale
Medical Diagnostics / Imaging
Video Surveillance
LED Lighting

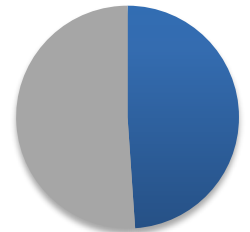


Exar in the Industrial Market

- #1 supplier of UARTs globally
 - Widest portfolio
- Leading supplier of serial transceivers
 - Fastest growing supplier in past 5 years
- #1 supplier of multi-protocol serial transceivers
 - Largest portfolio
- USB and Ethernet bridging solutions
 - Richest feature set in the market
- Leading supplier of single phase digital power controllers
 - Universal PMICs (including modules)
- Performance leader of QFN based power modules
- Pioneer in force sensing technology
- Strong IP for AC Direct LED Drivers for Downlights
- Leader in HDCVI Video Processing Solutions



Industrial:
49% of
FY2016
or
\$74.3M



Exar Connects the World of Industrial IoT

Power Management

- PoL Regulators
- Power Modules
- LDOs
- Supervisory



IOT Gateway

Connectivity

- Multiprotocol Transceivers
- Serial Transceivers
- PCIe UARTs
- GPIO Expanders
- USB Ethernet
- USB UART

Growth Opportunity

- Multiprotocol Transceivers in two of the top 5 IoT gateway makers
- PCIe UARTs with minimal competition
- Power Regulators



Exar Solutions for Point-of-Sale Terminals

Power Management

- PoL Regulators
- PMICs
- LDOs
- Supervisory



Point-of-Sale Terminal

Connectivity

- Serial Transceivers
- USB Ethernet Bridges
- USB UARTs

Growth Opportunity

- USB and Ethernet Bridging in both major POS financial terminal manufacturers

Display Backlight

- LED Drivers

Infrastructure Market

\$1.2B SAM

Enterprise Networking
Enterprise Servers
Carrier Class Hardware

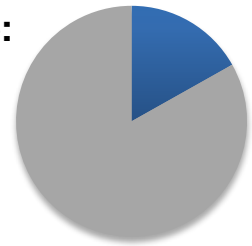


Exar in the Infrastructure Market

- Point-of-Load Regulator for Next Generation Servers
 - Partnered with world's largest Server Manufacturers
 - First multi-sourced high current buck regulators
- XRP7724/25 – Quad Output, Fully Programmable Universal PMICs
 - World's first Digital PFM/PWM
 - Designed into Intel Grantley & Purley Platforms
- USB UARTs and Serial Transceivers with 1.65V-5.5V Interface
- Power Modules in telecom and optical
- Encryption & Compression for primary SSD



Infrastructure:
17% of
FY2016
Or
\$25.6M



Exar Powers Next Generation Servers

Connectivity

- Serial Transceivers
- USB UARTs
- GPIO Expanders

Power Management

- PoL Regulators
- Universal PMICs with Telemetry
- DDR Termination
- USB Protection

Server



Growth Opportunities

- Point-of-Load Regulators in one of the world's largest server manufacturers
- Various new products underway in this space



High-End Consumer Market

\$600M SAM

Display Products for LCD TVs
Display Products for Tablets
Display Products for Monitors
Force Touch



Exar Solutions for Smart Phones and Tablets

Power Management

- DC/DC PMICs

LCD Display Backlight

- WLED Drivers



Smart Phone

3D Touch & Button Replacement

- Force Touch Technology
- Sensor Interface AFEs

Exar Force Touch Advantages

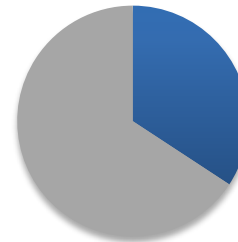
- Rugged
- Water proof
- Touch on any surface



Growth Opportunities

- Force Touch in Chinese Tier 1 smartphone makers
- Discrete and Integrated PMIC and P-Gamma/Vcom

HeC:
34% of
FY2016
Or
\$52.0M



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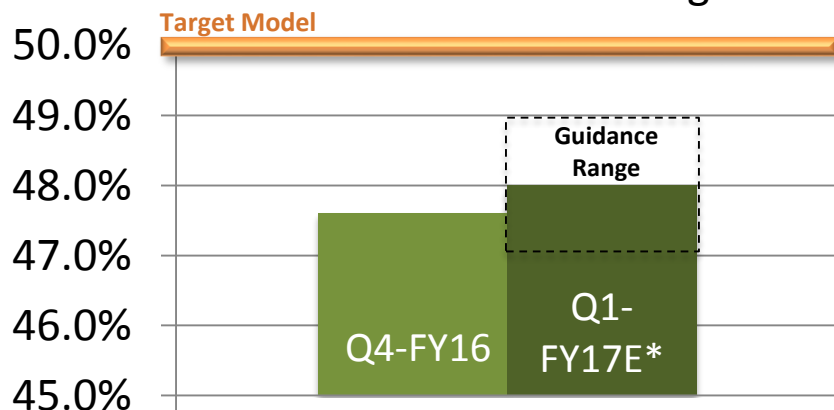
**Financial
Review**



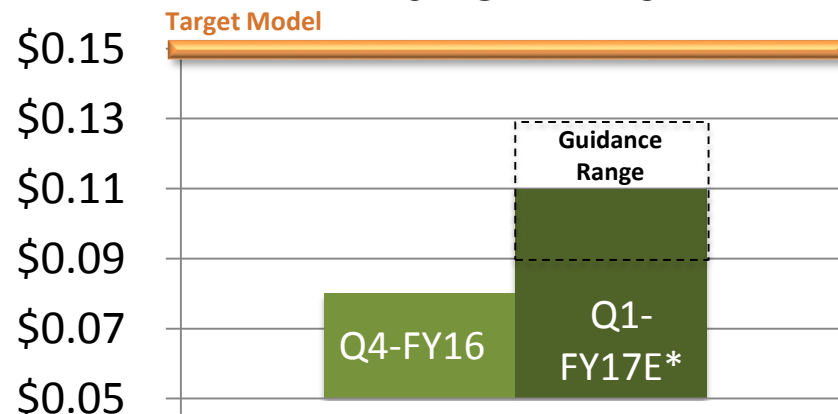
Non-GAAP Financial Highlights

	Q4FY16 (Mar-16)	Q3FY16 (Dec-15)	Q/Q Change		Q1FY17 Guidance (Jun-16)		Quarterly Target Model
Revenue	\$36.8M	\$37.4M	2%	↓	Up 7% to 12%	↑	\$50M
GM %	47.6%	46.1%	144 bps	↑	47% to 49%	↑	50%
Opex.	\$13.6M	\$13.7M	1%	↓	\$13.5M to \$14.0M	↑	35%
Oper. Income	\$3.9M	\$3.5M	10%	↑	\$4.5M to \$6.7M	↑	15%
EPS	\$0.08	\$0.07	14%	↑	\$0.09 to 0.13	↑	\$0.15
Free Cash Flow	\$4.3M	\$0.9M	353%	↑	N/a		N/a

Non-GAAP Gross Margin



Non-GAAP EPS



Note: Based on Non-GAAP financial data.

* Q1-FY17 Estimates based upon mid-point of Guidance Range.





Q&A

Free Cash Flow Reconciliation

Free Cash Flow

Free cash flow is calculated by making certain adjustments to cash flows from operating activities. The table below provides a reconciliation of free cash flow to the most directly comparable GAAP measure.

	THREE MONTHS ENDED		
	MARCH 27, 2016	DECEMBER 27, 2015	MARCH 29, 2015
Net cash provided by operations	\$ 2,896	\$ 1,081	\$ 2,370
Less purchases of fixed assets and IP	(325)	(387)	(1,478)
Payments for legal settlement and associated costs	1,728	254	-
Free cash flow	<u>\$ 4,299</u>	<u>\$ 948</u>	<u>\$ 892</u>

Note: Based on Non-GAAP financial data.

