

Exar Corporation



Q3 Fiscal 2015 Earnings Release
February 4, 2015



Safe Harbor Statement and Notice to Investors

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 demand for our products and the anticipated trends in our sales and profits are forward-looking statements. The forward-looking statements are dependent on certain risks and uncertainties. Therefore, actual outcomes and results may differ materially from what is expressed herein. The Company urges investors to review in detail the risks and uncertainties and other factors described in its Securities and Exchange Commission, or SEC, filings, including, but not limited to, under the captions "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 Annual Report on Form 10-K for the fiscal year ended March 30, 2014 and the Quarterly Reports on Form 10-Q for the quarterly period ending June 29, 2014 and September 29, 2014, which are on file with the SEC and are available on our Investor webpage and on the SEC website at www.sec.gov. The Company assumes no obligation to update any forward-looking statements or information, which speak as of their respective dates.

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, restructuring charges and exit costs, provisions for dispute resolutions, merger and acquisition and related integration costs, the write-down of deferred revenue under business combination accounting, certain income tax benefits and credits, certain warranty charges, net change in the fair value of contingent consideration, 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. This financial measure 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 presentation of this additional information should not be considered a substitute for net income or net income per diluted share or other measures prepared in accordance with GAAP.

Company Overview

- Founded: 1971
- Headquarters: Fremont, California
- Design Centers: Silicon Valley, California; Hangzhou, China; Taipei, Taiwan; Hsinchu, Taiwan; Eatontown, New Jersey
- Markets Served
 - Industrial
 - High-End Consumer
 - Infrastructure
- Products
 - Power Management
 - Connectivity
 - High Performance Analog
 - Processors
 - Application Specific Standard Products (ASSP)
- Employees: ~350
- Balance Sheet: \$53M** Cash, No Debt

Exar End Markets

- Industrial and Embedded System
 - Industrial Process Control and Automation
 - Industrial IoT
 - Medical Diagnostics and Imaging
 - Video Surveillance
 - LED Lighting
- High-End Consumer
 - Display Products for LCD TV and Tablets
 - Cable Modem/Set Top Boxes
 - LED Lighting
- Infrastructure
 - Enterprise Networking and Servers
 - Carrier Class Hardware

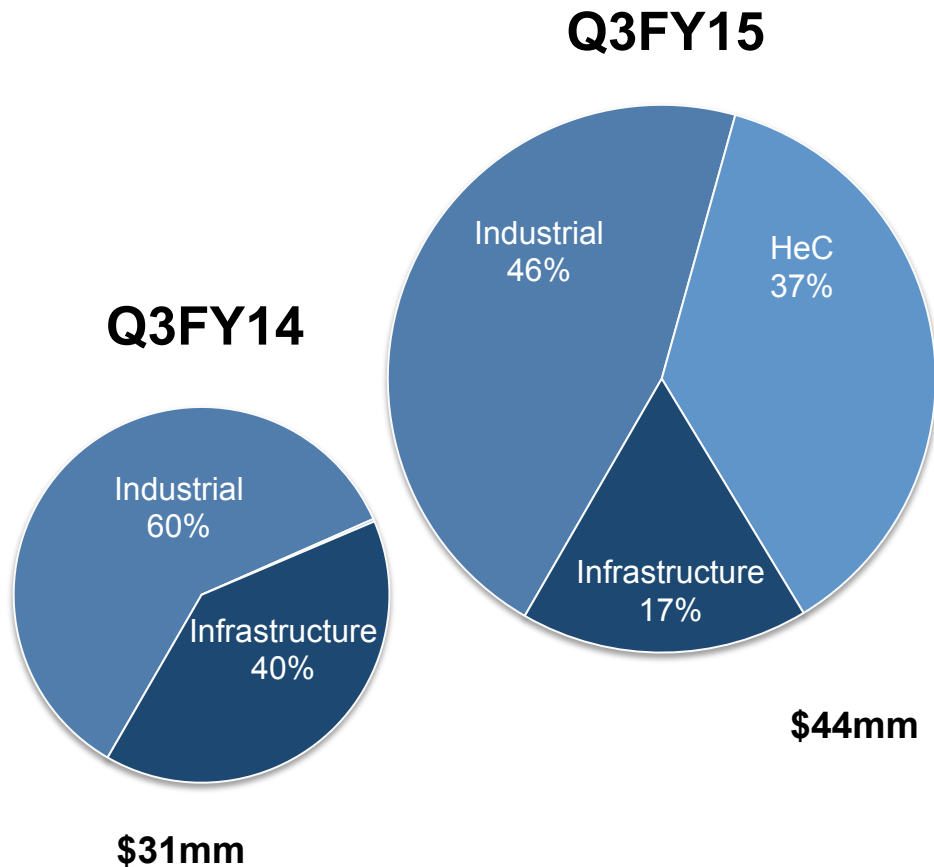
Exar Product Lines

- Power Management
 - Integrated Circuits
 - Power Modules
- Connectivity
 - Transceivers
 - Bridges
- High Performance Analog
 - Amplifiers
 - Data Converters
- Processors
 - Data Compression
 - Video Processing
- Application Specific Standard Products (ASSP)
 - Flat Panel Display
 - LED Lighting

Fiscal 2015 Third Quarter Results

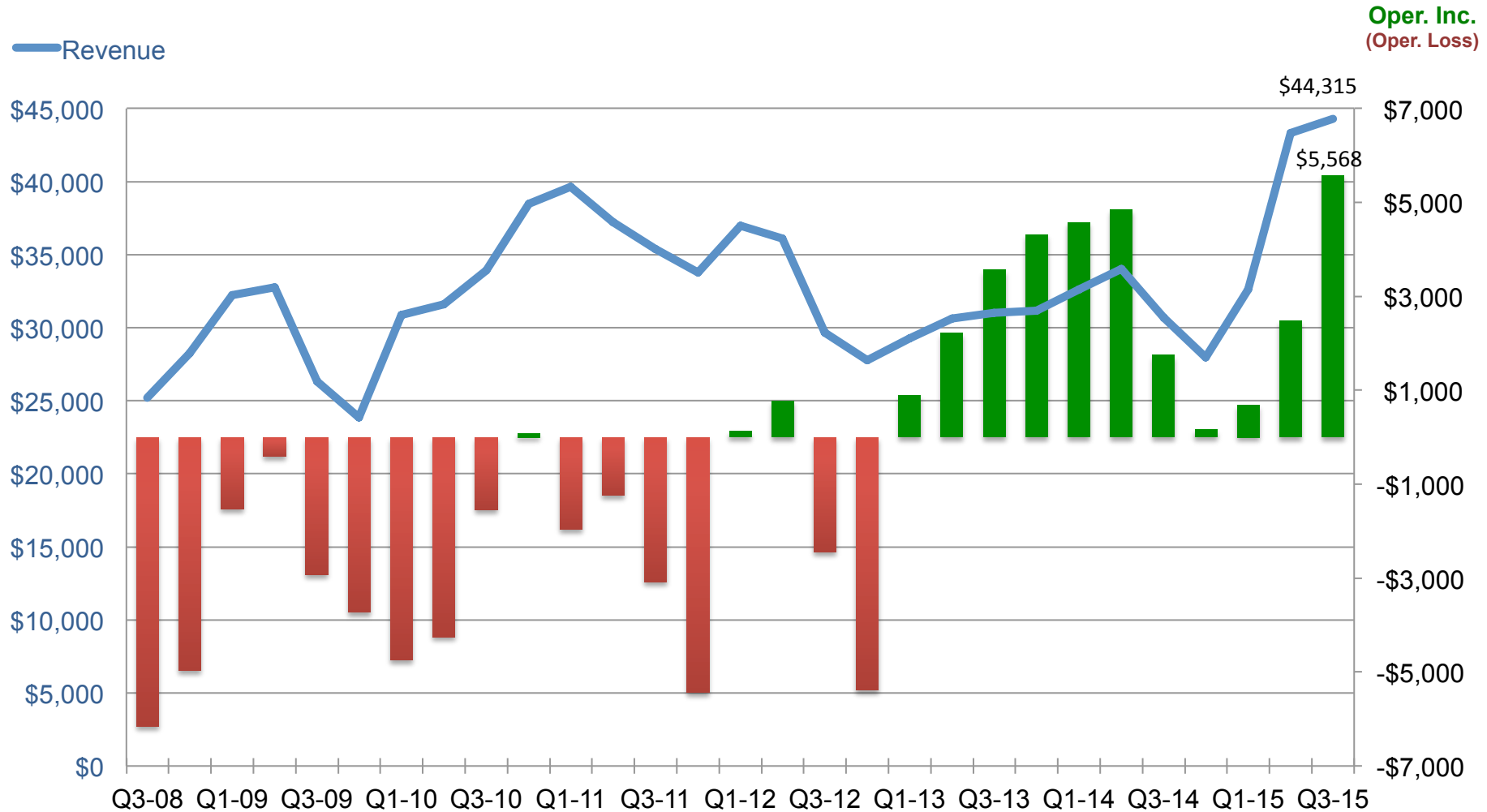
- Revenue of \$44.3M
 - Revenue grew 2% sequentially
 - Revenue grew 44% Year-over-Year
- Non-GAAP Gross Margin of 49.6%
 - Gross Margin Grew 280bps
 - Gross Profit Grew \$7.1M Year-over-Year
- Non-GAAP Op Income of \$5.6M
 - Grew 124% Sequentially
 - Grew 219% Year-over-Year
- Non-GAAP EPS of \$0.11
 - Grew 120% Sequentially
 - Grew 175% Year-over-Year

Fiscal 2015 Third Quarter Year-over-Year

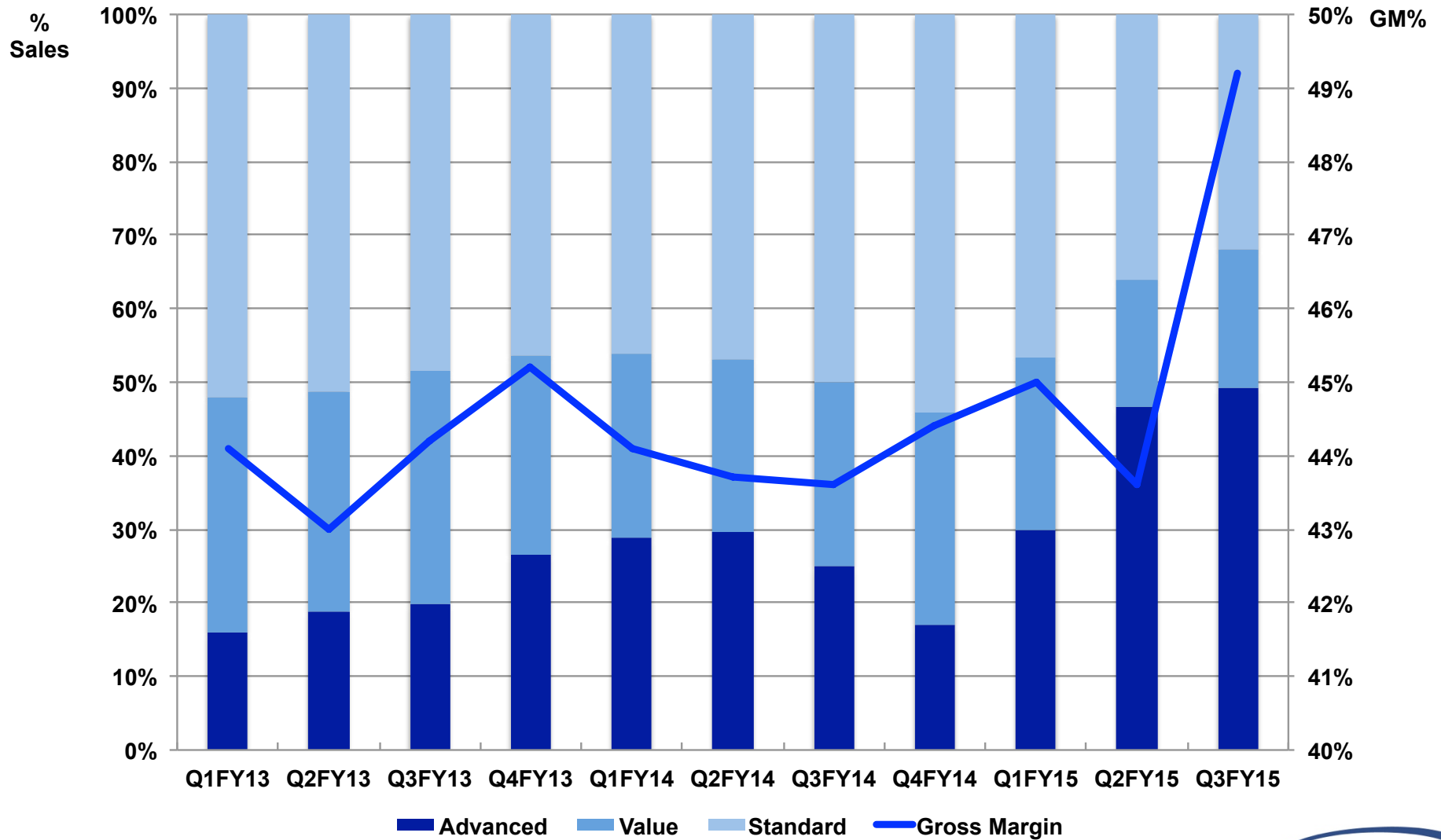


- Industrial Grew 4.3% sequentially
 - HPA demonstrated strong Q/Q growth
 - Video Surveillance was strong Q/Q
 - Connectivity was flat Q/Q
- HeC Flat Sequentially
 - Continued strength in LCD TV FPD
 - Tablet design wins accelerating
 - LED lighting flat Q/Q as Design Wins move to production
- Infrastructure Grew 4.1% Sequentially
 - Strength in Carrier Class business
 - Compression PoCs gaining interest in Hadoop Solutions

Non-GAAP Revenue and Operating Income



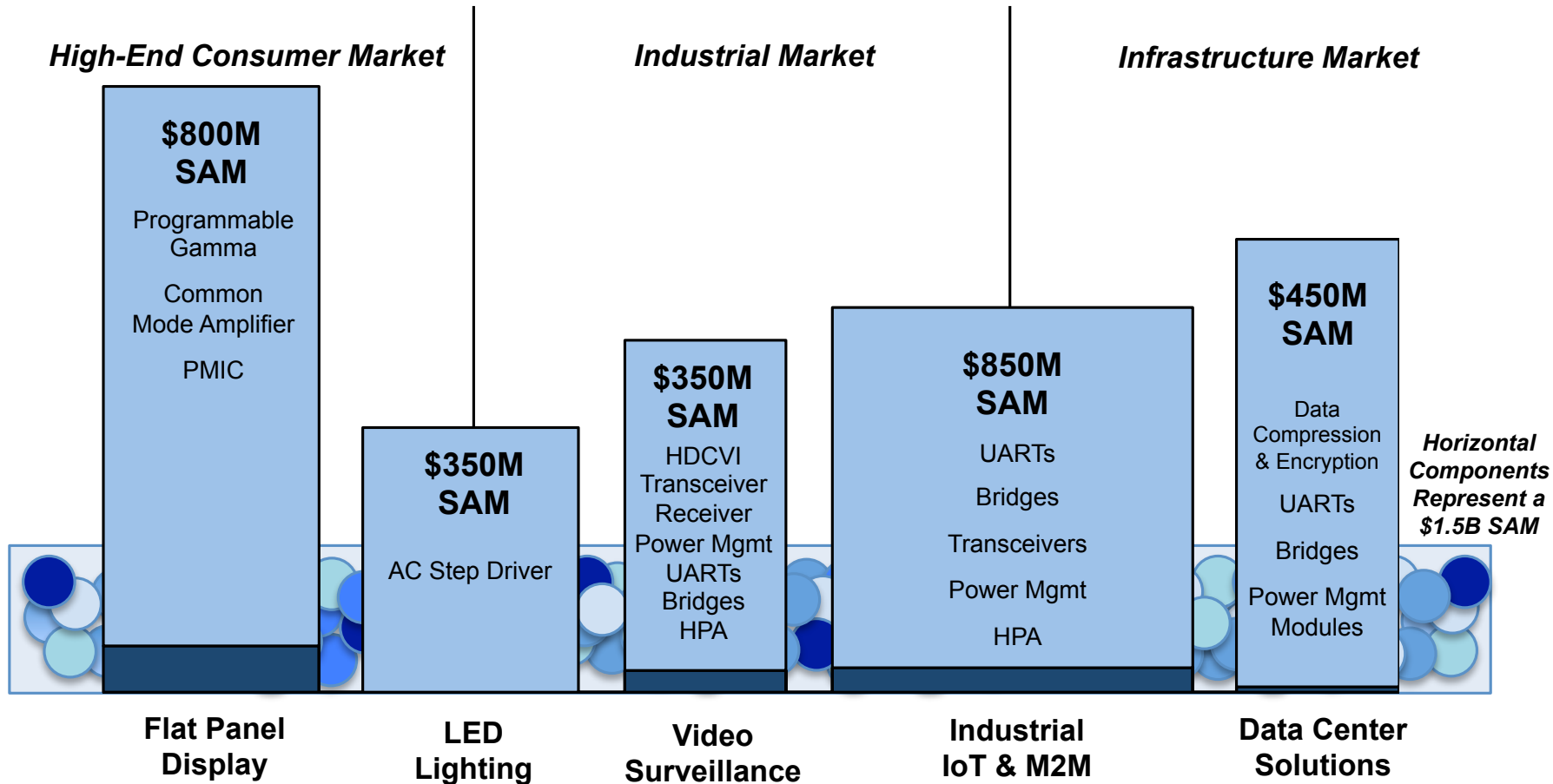
Advanced Product Mix Drives GM Performance



Exar Target Model

	Q1FY14 (Jun-13)	Q2FY14 (Sept-13)	Q3FY14 (Dec-13)	Q4FY14 (Mar-14)	Q1FY15 (Jun-14)	Q2FY15 (Sep-14)	Q3FY15 (Dec-14)	Target Model Quarterly	Target Model Annual
Revenue	\$32.6M	\$34.0M	\$30.7M	\$28.0M	\$32.6M	\$43.3M	\$44.3M	\$70M	\$280M
Gross Profit	\$17.1M	\$17.7M	\$14.9M	\$12.8M	\$15.7M	\$20.3M	\$22.0M	\$37M	\$148M
Gross Margin	52%	52%	49%	46%	48%	47%	50%	53%	53%
Opex	\$12.5M	\$12.9M	\$13.2M	\$12.7M	\$15.0M	\$17.8M	\$16.4M	\$22M	\$88M
EBIT	\$4.6M	\$4.8M	\$1.7M	\$0.2M	\$0.7M	\$2.5M	\$5.6M	\$15M	\$60M
EBITDA	\$6.1M	\$6.3M	\$3.1M	\$1.7M	\$2.3M	\$4.1M	\$7.1M	\$17M	\$68M
EPS	\$0.10	\$0.10	\$0.04	\$0.01	\$0.02	\$0.05	\$0.11	\$0.30	\$1.20

Key Vertical Opportunities



Q & A