

Exar Corporation



Q4 Fiscal 2015 Earnings Release
May 12, 2015



Forward-Looking Statements

Except for historical information contained herein, the accompanying press release and prepared remarks, 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, future opportunities that are available to the Company, existence of any viable strategic alternatives and whether any future decisions by the Company will enhance stockholder value, 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. 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, or 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 Annual Report on Form 10-K for the fiscal year ended March 30, 2014 and the Quarterly Reports on Form 10-Q for the quarters ended June 29, 2014, September 28, 2014 and December 28, 2014 which are on file with the SEC and are available on our Investor webpage and on the SEC website at www.sec.gov, and the risks and 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, provisions for dispute resolutions, 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. 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 (25,000 Customers)
 - Industrial, High-End Consumer, Infrastructure
- Products (3,500 Part Numbers; Advanced, Value and Standard)
 - Power Management
 - Connectivity
 - High Performance Analog
 - Application Specific Standard Products (ASSP)
- Employees: ~350
- Balance Sheet: \$55M* Cash, No Debt,
- Silicon Valley Headquarters (Estimated Value \$25M)
- Minimal Tax Rate with >\$300M NOLs

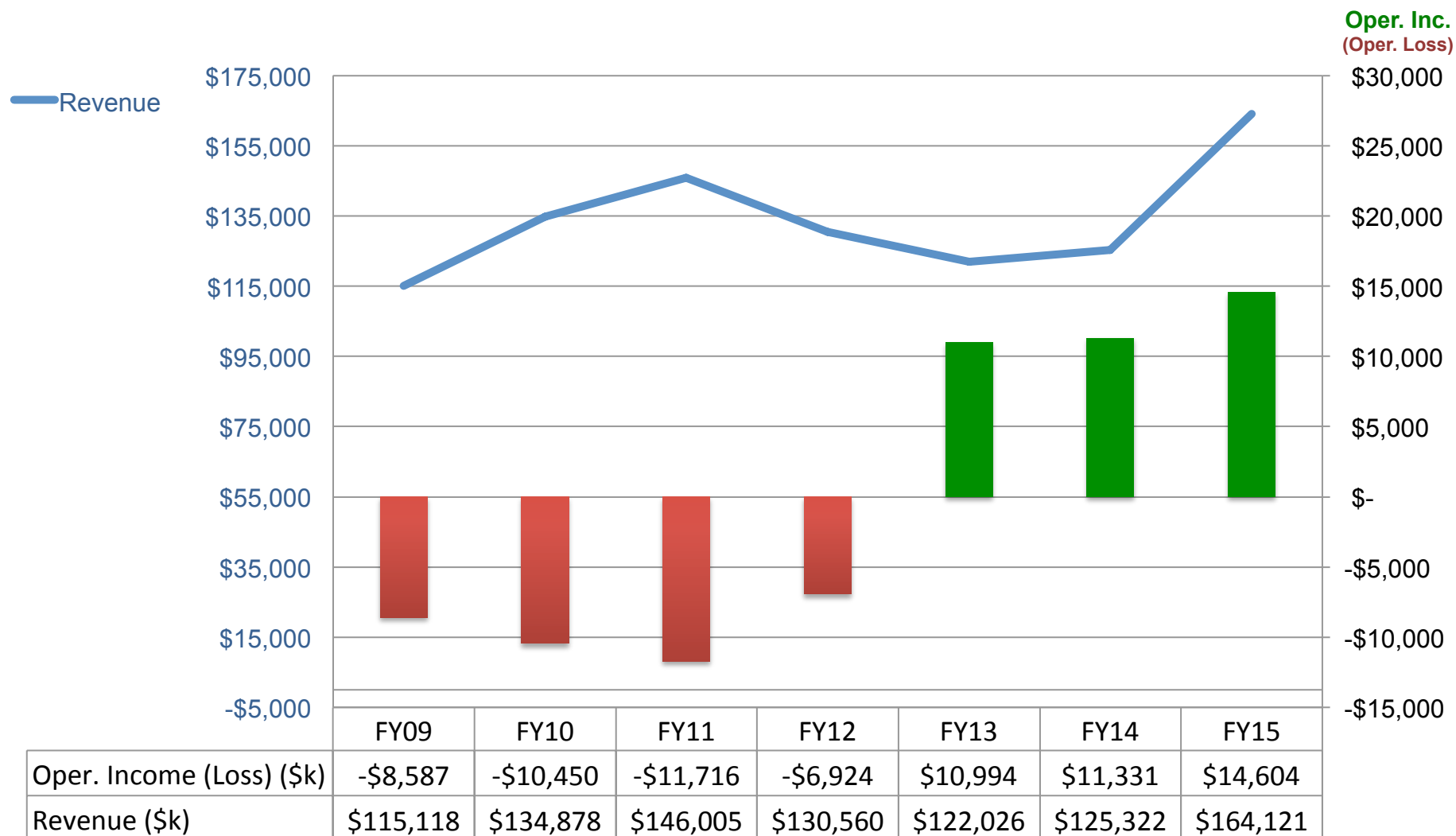
Fiscal 2015 Fourth Quarter Non-GAAP Results

- Revenue of \$43.9M
 - Revenue grew 57% Year-over-Year
 - Revenue declined 1% sequentially
- Gross Profit of \$21.3M and Gross Margin of 48.7%
 - Gross Profit Grew 66% Year-over-Year
 - Gross Margin Grew 280bps Year-over-Year
- Operating Income of \$5.9M
 - Highest level in 57 quarters
 - Up from \$0.2M in Q4-14
 - Grew 5% Sequentially
- EPS of \$0.11
 - Grew 740% Year-over-Year
 - Flat Sequentially

Fiscal 2015 Full Year Non-GAAP Results

- Revenue of \$164.1M
 - Revenue grew 31% Year-over-Year
- Gross Profit of \$79.3M and Gross Margin of 48.3%
 - Gross Profit Grew 27% Year-over-Year
 - Gross Margin down from 49.9% in FY14.
- Operating Income of \$14.6M and EBITA of \$21.2M
 - Operating Income Grew 29% Year-over-Year
 - EBITDA Grew 22% Year-over-Year
- EPS of \$0.29
 - Grew 16% Year-over-Year

Non-GAAP Revenue and Operating Income



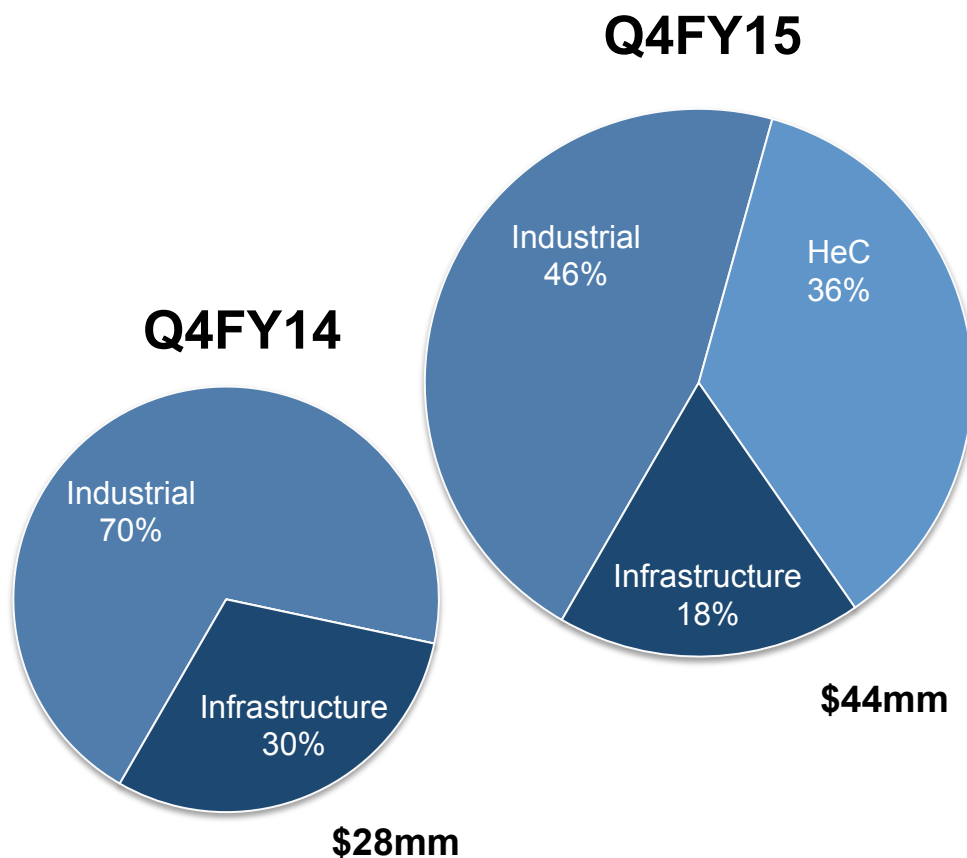
Fiscal 2016 First Quarter Non-GAAP Guidance

- Revenue of \$40M to \$43M
 - Soft Infrastructure Quarter
 - Concerted effort to reduce channel inventory
 - Normalize weeks of inventory on hand
 - Prepare shelf space for ramp of new products
- Gross Margin of 48% to 50%
 - Advanced Product Contribution to Revenue with Higher ASP and GM
 - Continued Focus on Reducing Cost and Manufacturing Overhead
- EPS \$0.10 to \$0.12
 - Cost Reduction
 - Operating Expense Control

Review of Strategic Alternatives

- Industry Consolidation
 - Mega Deals
 - Tuck-In Deals
- Scarcity of Assets
 - Profitability
 - Scale
 - Innovation
- Inbound Interest
- Prudent Process
 - Comprehensive evaluation of Strategic Alternatives to enhance value for stockholders
 - Business “as usual” to support customers and retain employees

Fiscal 2015 Fourth Quarter Results



- Industrial down 2.4% Sequentially
 - Power had strong Q/Q growth
 - Video surveillance declined Q/Q
 - Connectivity grew Q/Q
- HeC declined 1% Sequentially
 - Display dropped modestly Q/Q as a result of expected seasonality
 - LED lighting grew as design wins entered production
- Infrastructure Grew 2.1% Sequentially
 - Solid Q/Q growth in carrier class business

Market Overview: Industrial and Embedded

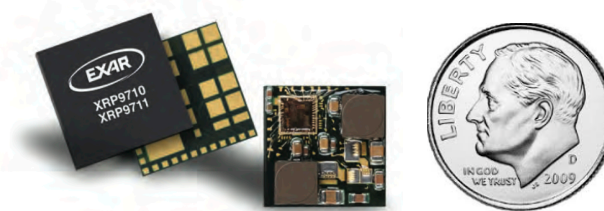
Industrial and Embedded



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



- Key Growth Opportunity: XRP9710 – Fully Integrated Power Module with two programmable 6A outputs



- Key Growth Opportunity: HDCVI
 - Key Partnership signed with Dahua Technology
 - Next Generation Camera Chip expected to be released in Q3-15



Market Overview: High-End Consumer

High-End Consumer



Display Products for LCD TVs
Display Products for Monitors
Display Products for Tablets
Cable Modem/Set Top Boxes
LED Lighting



- Key Growth Opportunity: Discrete and Integrated PMIC and Industry Leading P-GAMMA



- Key Growth Opportunity: LED Lighting



Market Overview: Infrastructure

Infrastructure



Enterprise Networking
Enterprise Servers
Carrier Class Hardware



EMC²

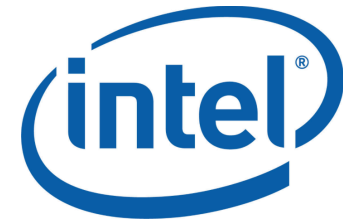
ZTE
JUNIPER
NETWORKS



IBM



- Key Growth Opportunity: Point-of-Load Regulator for Next Generation Server
 - Working with one world's largest Server Manufacturer
 - Key New Product to be released within a month
- Key Growth Opportunity: XRP7724 – Quad Output, Fully Programmable Universal PMIC
 - World's first Digital PFM/PWM
 - World's Best GUI - Power Architect
 - Designed into Intel Grantley Platform; Working with Intel on Next Generation



Q & A