

Exar Corporation



Q1 Fiscal 2016 Earnings Release
August 4, 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 29, 2015 which is 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 which include costs for personnel whose positions have been eliminated as part of a restructuring or are in the process of being eliminated as part of the discontinuation of a product line, 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.

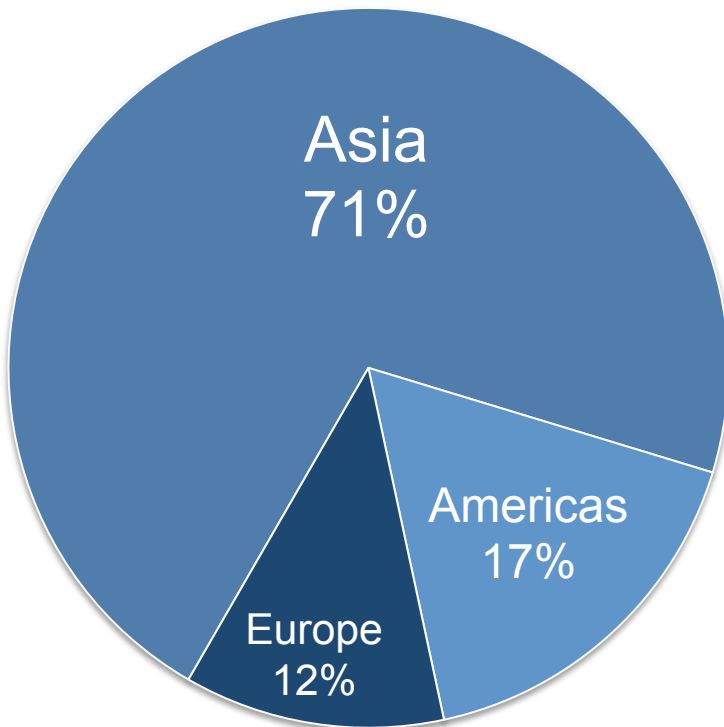
In addition, the Company believes that providing investors with these non-GAAP measurements enhances their ability to compare the Company's business against that of its many competitors who employ and disclose similar non-GAAP measures. This financial measure may be different from non-GAAP methods of 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.

Fiscal 2016 First Quarter Non-GAAP Results

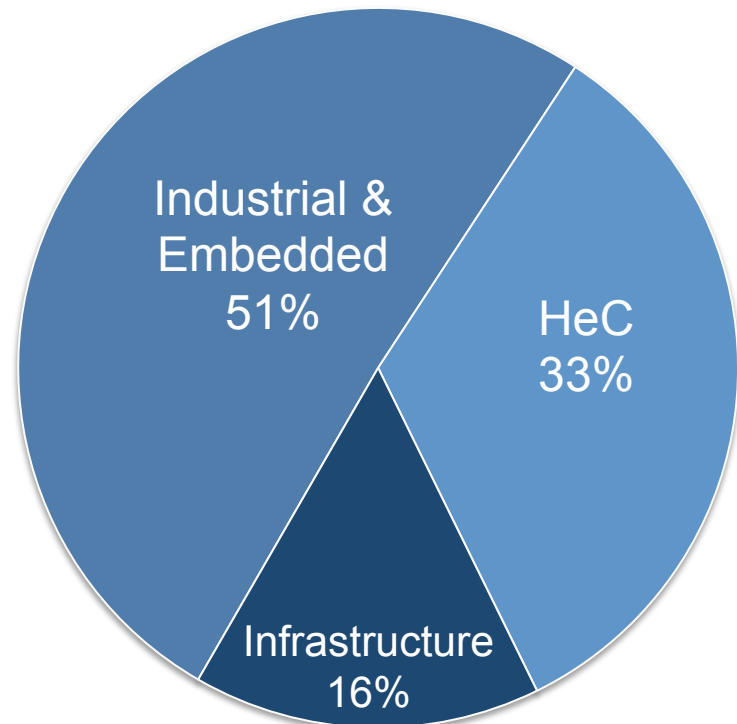
- Revenue of \$40.4M
 - Revenue grew 24% Year-over-Year
 - Revenue declined 8% sequentially
- Gross Profit of \$20.0M and Gross Margin of 49.5%
 - Gross Profit Grew 27% Year-over-Year
 - Gross Margin Grew 130bps Year-over-Year
 - Gross Margin Grew 80bps sequentially
- Operating Income of \$5.3M
 - Thirteen consecutive quarters of operating profitability
 - Up from \$0.7M in Q1 FY15
 - Declined 10% sequentially in line with revenue decline
- EPS of \$0.10
 - Grew 400% Year-over-Year from \$0.02
 - Declined \$0.01 sequentially from \$0.11

Fiscal 2016 First Quarter Revenue

% Sales by Geography



% Sales by End Market



Fiscal 2016 Second Quarter Non-GAAP Guidance

- Revenue expected to decline 5% to 9% sequentially
 - Continue to reduce channel inventory based upon macro headwinds
 - Positioning sales efforts towards advanced product ramp in 2H '16
- Gross Margin of 48% to 50%
 - Advanced product contribution expected to increase
 - › Supports current GM structure on near-term reduced revenue
 - Continued focus on reducing cost as industry capacity increases
- EPS \$0.06 to \$0.09
 - Significant investment in Video Processor Camera Chip
 - Will divest (or curtail investment in) Data Compression Product Line
 - Continue to streamline internal costs
 - Operating expenses remain under control

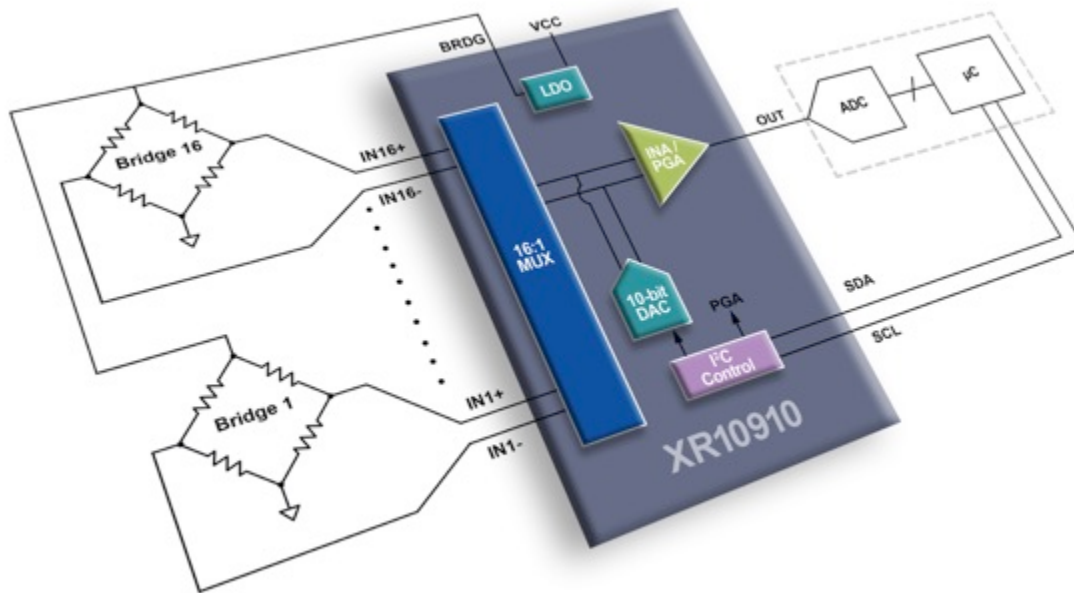
New Product Highlights

- Power Modules – Fully Integrated (includes magnetics)
 - World's lowest height module (2.75mm)
 - World's smallest form factor modules for 10/15/20A (10x10/12x12/12x14mm)
 - 5 – 22V input range
- PowerBlox™ - Point-of-Load Regulator for Next Generation Server
 - Offers leading edge performance with high integration
 - Secured first major server design wins with Tier One Server Suppliers
- Ultra Low Drop-Out Regulator – uLDOs 3A 140mV Dropout at 1.1V input
 - World's Best - Requires no external bias or charge pumps
- Integrated PMIC and Industry Leading P-GAMMA
 - World's first integrated PMIC + P-Gamma + Vcom device for LCDTV application
 - The solution supports HD, FHD and UHD resolution with the size of 32" and up
- Industry leading AC Step Driver for LED Lighting
- Pioneer in Force Sensing Interface (see next slides)
 - Secured first major mobile design wins



New Product Highlights: Force Sensing

- XR10910 – 16:1 bridge sensor interface
 - Interfaces multiple bridge sensors with an MCU or FPGA
 - Integrated offset correction DAC provides digital calibration
 - I2C interface provides ease of use control
 - Integrated LDO provides regulated 2.65V or 3V to power sensors
 - Measures degrees of force



New Product Highlights: Force Sensing (cont.)

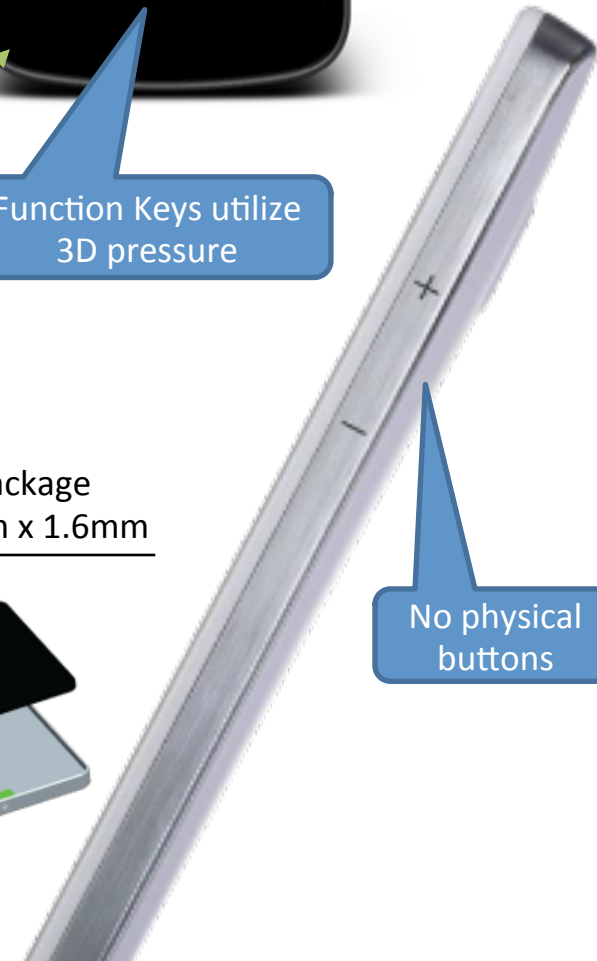
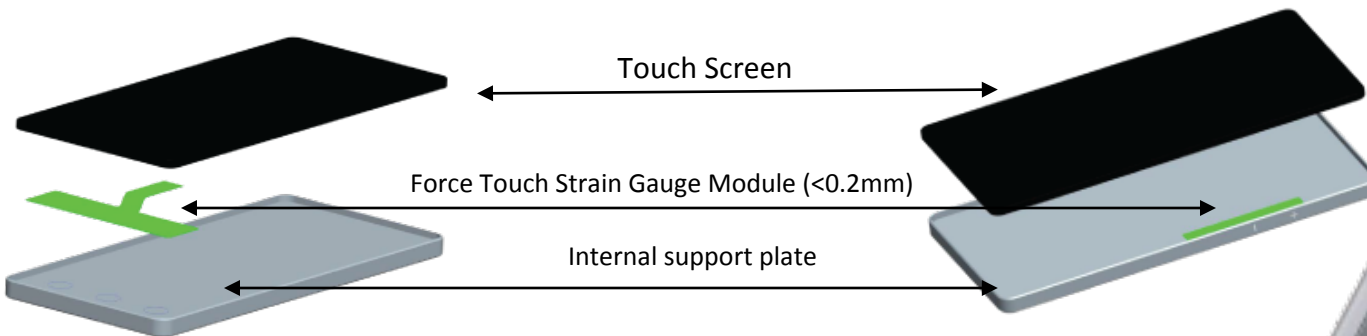
- XR10910 – 16:1 bridge sensor interface
 - Provide 3D pressure inputs
 - Any location can be activated
 - Multiple outputs
 - Pressure encoded PINs
 - Volume and on/off key integrated into side frame
 - Adjustable ON threshold avoids accidental ON
 - Chip-scale package



Function Keys utilize 3D pressure



CSP Package
1.6mm x 1.6mm



No physical buttons

Exar Financial Summary

	Q1FY15 (Jun-14)	Q2FY15 (Sep-14)	Q3FY15 (Dec-14)	Q4FY15 (Mar-15)	Q1FY16 (Jun-15)		Quarterly Target Model
Revenue	\$32.6M	\$43.3M	\$44.3M	\$43.9M	\$40.4M		\$60M
Gross Profit	\$15.7M	\$20.3M	\$22.0M	\$21.3M	\$20.0M		\$31M
Opex.	\$15.0M	\$17.8M	\$16.4M	\$15.5M	\$14.7M		\$18M
Oper. Income	\$0.7M	\$2.5M	\$5.6M	\$5.9M	\$5.3M		\$13M
EBITDA	\$2.3M	\$4.1M	\$7.1M	\$7.7M	\$6.9M		\$15M
EPS	\$0.02	\$0.05	\$0.11	\$0.11	\$0.10		\$0.25
Gross Margin %	48.2%	46.8%	49.7%	48.7%	49.5%		52%
Oper. Inc. %	2.1%	5.7%	12.6%	13.4%	13.0%		22%
EBITDA %	7.1%	9.5%	16.0%	17.5%	17.1%		25%

Q & A