



Exar Corporation Investor Relations Presentation

January 2017

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, including statements regarding the Company’s financial outlook expectations for the third quarter ending January 1, 2017 delivering enhanced value for Exar’s shareholders, its favorable market positioning, and its strategy for future growth. 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. 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 annual report on Form 10-K filed with the SEC on May 27, 2016 and our Form 10-Q filed with the SEC on November 4, 2016, and available on our Investor webpage and on the SEC website at www.sec.gov.

Generally Accepted Accounting Principles

The Company’s non-GAAP measures exclude charges related to stock-based compensation, amortization of acquired intangible assets, impairment charges, initial gain upon closing sale-leaseback of our corporate headquarters, 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, 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, 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 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 fixed assets and 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.

Unless otherwise indicated, all non-GAAP financial results exclude the financial results of the iML Display business which the Company divested effective November 9, 2016 and are presented in the GAAP results as discontinued operations.

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 competitors who employ and disclose similar non-GAAP measures. However, the manner in which we calculate these non-GAAP 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 the non-GAAP financial measures is that the 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 information. 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.

Investors should refer to the reconciliation of Non-GAAP Results to GAAP Results, which is contained in our FY 2017 Q2 press release dated November 2, 2016.

Exar Corporation

Agenda

Company
Overview

Financial Update

Markets,
Products, and
Growth Strategy

Q&A



Investor Presentation

Company Overview

Exar's Vision: Exar strives to be the most responsive analog and mixed-signal solutions provider by leveraging our broad portfolio, experience, and IP to enable the world's leading electronic manufacturers to connect and power their next generation products in target markets where operational excellence and reliability are valued.



Exar's Vision

Exar strives to be the most responsive analog and mixed-signal solutions provider by leveraging our broad portfolio, experience, and IP to enable the world's leading electronic manufacturers to connect and power their next generation products in target markets where operational excellence and reliability are valued.



Exar Corporation Company Overview

- Founded: 1971; Headquarters: Fremont, California
- Design Centers: Silicon Valley, California; Hsinchu, Taiwan
- Serve Industrial, Infrastructure, Automotive, and Audio / Video markets
- Broad analog mixed-signal product portfolio: Interface, Power Management, High Performance Analog
- Highly Diversified Customer Base
 - >25,000 End Customers
 - Top 10 End-Customers represent approx. 19% Sales
 - 87% of 1H FY17 Sales through Distribution
- Employees: ~195*
- Balance Sheet: ~\$225M* cash, no debt
- Minimal tax rate with ~\$270M* federal NOLs



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

*As of November 2016



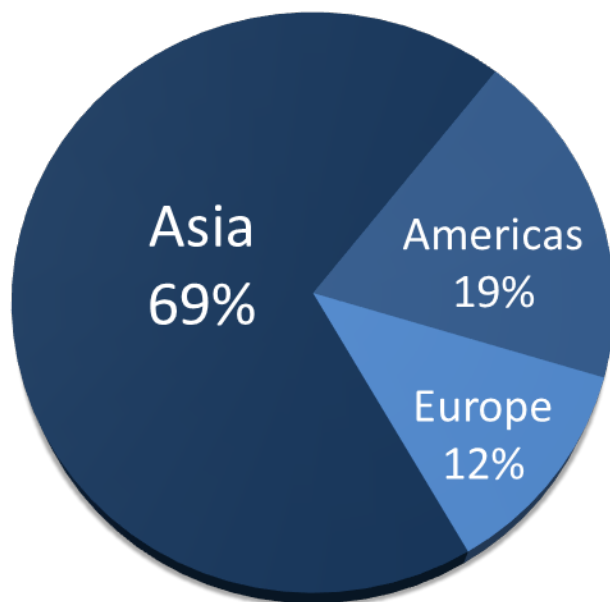
Management

- **Ryan Benton – Chief Executive Officer**
 - Arthur Andersen & Co., Pegasus Solutions, eFunds, ASMI, SoloPower, Synapsense
- **James Lougheed – SVP World-Wide Sales & Marketing**
 - Cirrus Logic, Future Electronics, Apexone Microelectronics, EDM I
- **Keith Tainsky – Chief Financial Officer**
 - Deloitte Consulting, eFunds, ASMI, Insight Enterprises, Amkor
- **Hung Le – SVP Engineering**
 - Texas Instruments, Microsemi, IDT
- **Dan Wark – VP Worldwide Operations**
 - Linear Technology, National Semiconductor, Pericom, Volterra, Amalfi Semiconductor

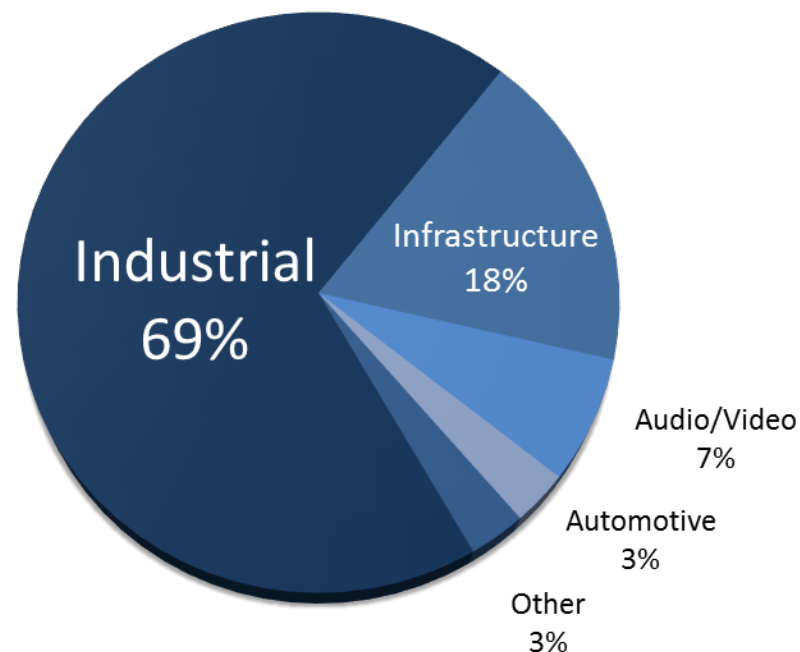


Fiscal 2017 Q2 \$27.6M Sales Up 2% Q/Q*

**Sales by Geography
(Continuing Operations)**

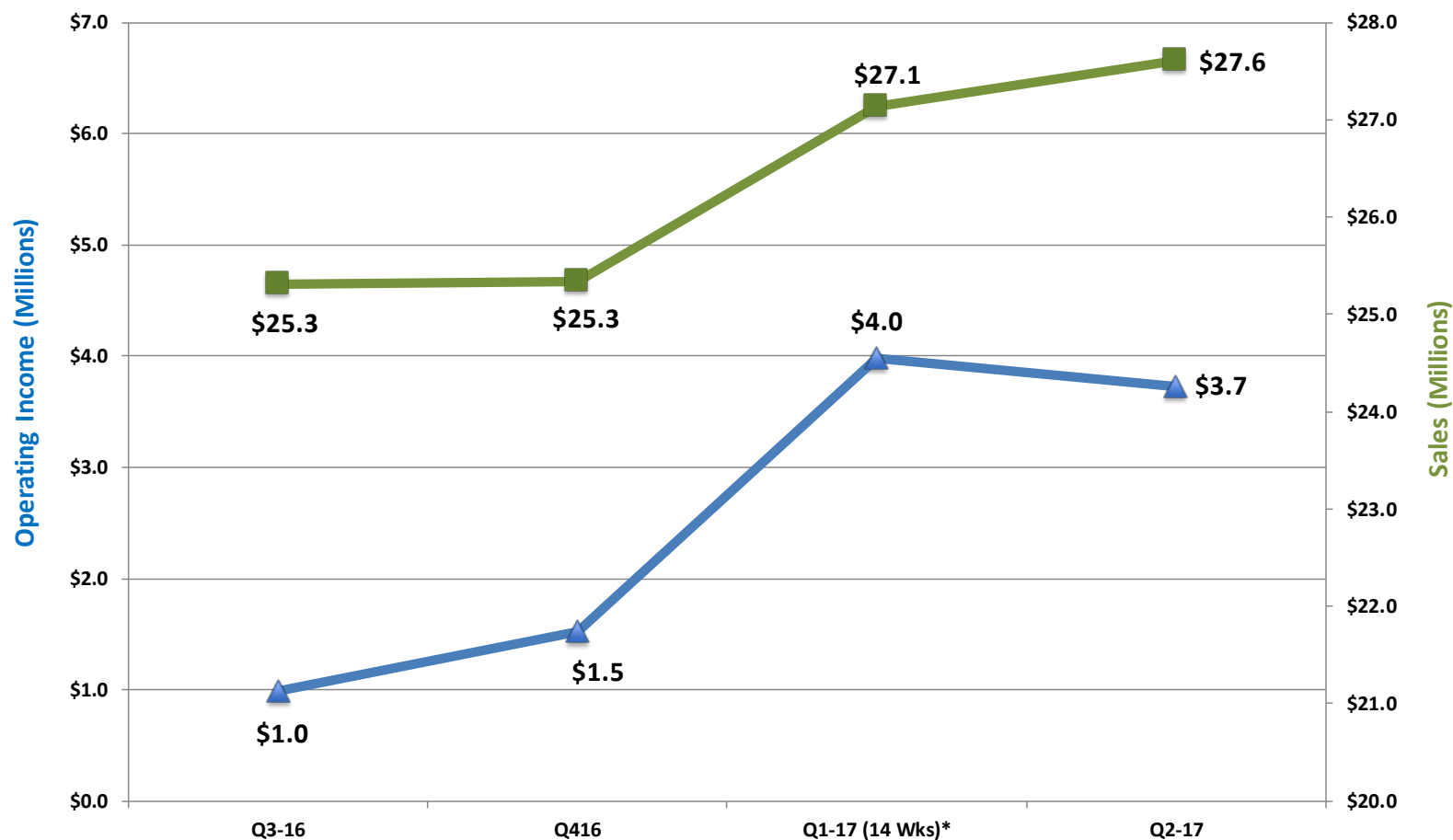


**Sales by End Market
(Continuing Operations)**



* Q1-17 had 14 calendar weeks. Q2-17 had the customary 13 weeks.

Sales and Non-GAAP Operating Income (Continuing Operations)



* Q1-17 had 14 calendar weeks. Q2-17 had the customary 13 weeks.

Note: Based on Non-GAAP financial data.



Sales by End Market

	Q2FY17 (Sept-16)	% Sales	Q1FY17* (June-16)	% Sales		Q/Q Change
Total Revenue	\$27.6M	100%	\$27.1M	100%		2%
Industrial	\$19.0M	69%	\$18.4M	67%		3%
Infrastructure	\$5.1M	18%	\$5.6M	21%		(9%)
Audio/Video	\$1.8M	7%	\$1.9M	7%		(1%)
Automotive	\$1.0M	3%	\$0.8M	3%		23%
Other	\$0.7M	3%	\$0.5M	2%		47%

Q2 FY17 End Market Comments

- **Industrial:** The increase in the industrial market was attributable to the core interface business, which started to show benefits of the lower cost structure allowing Exar to be more competitive.
- **Infrastructure:** Decline in a legacy telecommunications product which was a nominal amount in the fiscal second quarter.
- **Audio/Video:** Nominal change q/q.
- **Automotive:** Continue to gain traction in aftermarket automotive infotainment and communication systems. First AEC-Q100 products to release this fiscal year.

* Q1-17 had 14 calendar weeks.
Q2-17 had the customary 13 weeks.



Investor Presentation

Markets, Products & Growth Strategy

Exar's Vision: Exar strives to be the most responsive analog and mixed-signal solutions provider by leveraging our broad portfolio, experience, and IP to enable the world's leading electronic manufacturers to connect and power their next generation products in target markets where operational excellence and reliability are valued.



Overview of Markets Served and Key Applications

Industrial Market

- \$2.2B Exar SAM
- Includes areas such as:
 - Process Control / Automation
 - Industrial IoT
 - Point of Sale
 - Medical Diagnostics / Imaging
 - LED Lighting
 - Force Touch (MBR)



Infrastructure Market

- \$1.2B Exar SAM
- Includes areas such as:
 - Enterprise Networking
 - Enterprise Servers
 - Carrier Class Hardware



Automotive Market

- \$200M Exar SAM
- Includes areas such as:
 - Infotainment
 - GPS / Navigation Systems
 - Event Data Recorders
 - Automotive Diagnostic Equipment
 - Advanced Driver Assistance Systems



Audio / Video Market

- \$150M Exar SAM
- Includes areas such as:
 - Video Surveillance
 - Teleconferencing Systems
 - Home Automation
 - Wireless Microphone Systems
 - Professional Audio and Broadcast



Product Lines

Interface Products

Transceivers
UARTs & Bridges



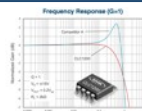
Power Management Products

Integrated Circuits
Power Modules



Analog Products

Amplifiers
Force Sensing AFEs



Other - Compression Video, Telecom

Data Compression, Security, Video Processors, SDH/SONET & PDH
Devices, Cards, Systems, and Components

GTM Strategy Transitioned to Tier 1 Focus

- Semi consolidation opening up opportunities at Tier 1 accounts
- Target Specific Competitors
- All new products have Tier 1 leads; then spun for channel business
- Infrastructure and automotive new product focus



Primary Products Sold into Each Market

Industrial Market

- UARTs
- Serial transceivers
- PoL regulators and modules
- Universal PMICs
- LED drivers

Infrastructure Market

- PoL regulators and modules
- Serial transceivers
- USB UARTs
- Encryption & compression
- Universal PMICs

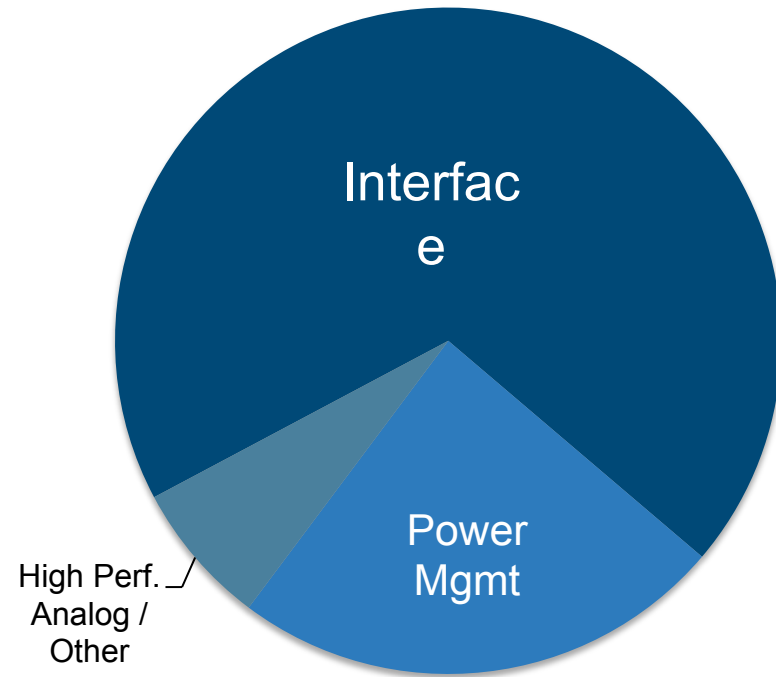
Audio / Video Market

- GPIO Expanders
- UARTs
- LDOs
- Universal PMICs
- Serial Transceivers
- Video processor cards

Automotive Market

- LDOs
- Amplifiers
- PoLs
- UARTs
- Power modules

Q2 FY17 Sales Mix



Other

- Force Touch AFEs and modules



Industrial Market Overview



SIEMENS

Verifone

Honeywell

ingenico

ABB

Schneider
Electric

ADVANTECH



Exar in the Industrial Market

- #1 supplier of UARTs globally
- #1 supplier of multi-protocol serial transceivers
- Fastest growing serial transceivers supplier
- USB and Ethernet bridging solutions
- Leading supplier of single phase digital power controllers
- Performance leader of QFN based power modules
- Pioneer in force sensing technology
- AC direct LED drivers for downlights



Exar Connects the World of Industrial IoT

Power Management

- PoL regulators
- Power modules
- LDOs
- Supervisory



IoT Gateway

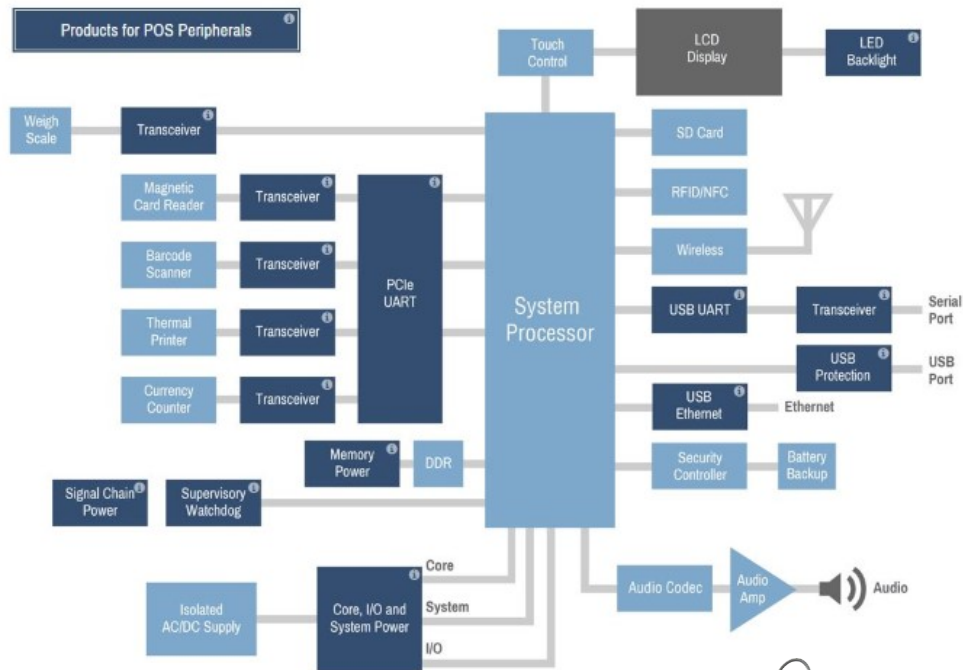
Connectivity

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

Growth Opportunity

- Multiprotocol transceivers
- PCIe UARTs with minimal competition
- Power regulators

Exar Solutions for Point-of-Sale Terminals



Growth Opportunity

- USB UARTs
- Ethernet bridging



Point-of-Sale Terminal

Connectivity

- Serial transceivers
- USB Ethernet bridges
- USB UARTs

Power Management

- PoL regulators
- PMICs
- LDOs
- Supervisory

Display Backlight

- LED drivers

Infrastructure Market Overview

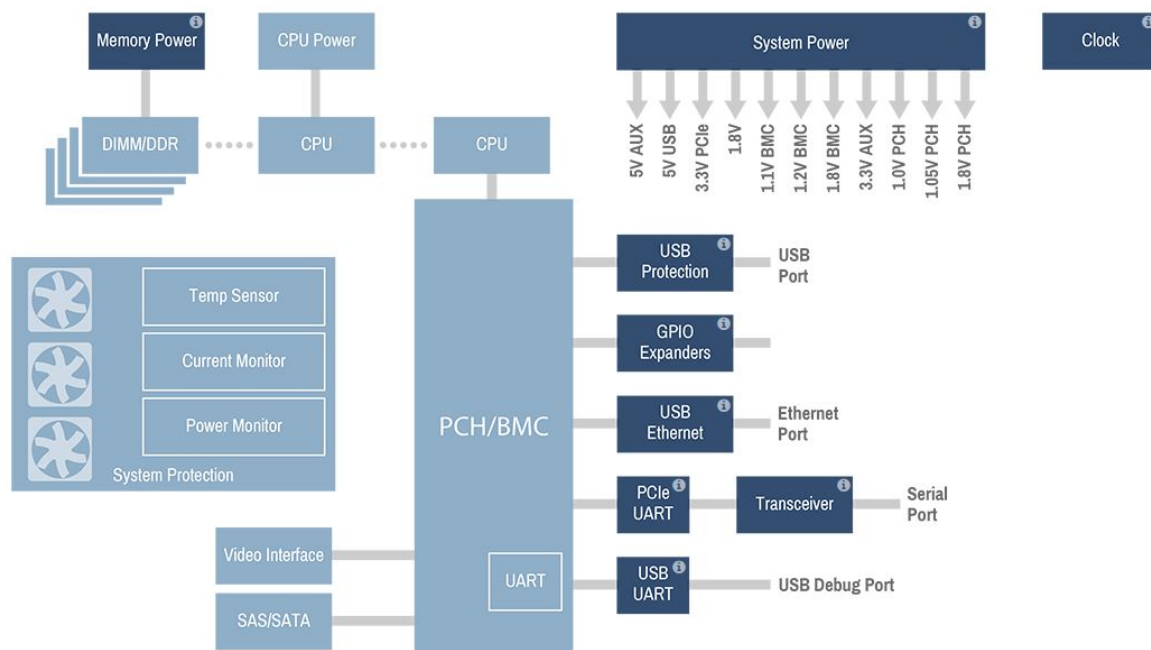


Exar in the Infrastructure Market

- 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



Exar Powers Next Generation Servers



Power Management

- PoL regulators
- Universal PMICs with telemetry
- DDR termination
- USB protection

Connectivity

- Serial transceivers
- USB UARTs
- GPIO Expanders

Growth Opportunities

- Point-of-Load regulators
- Various new products underway in this space



Server

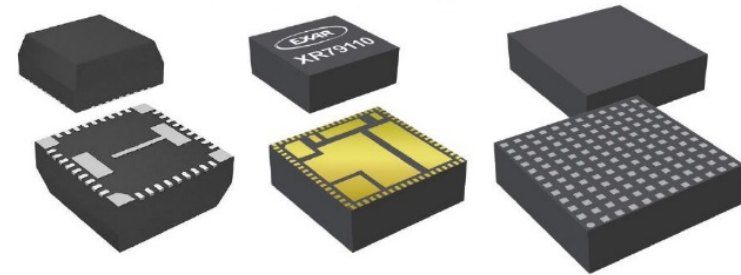


Exar QFN Power Modules

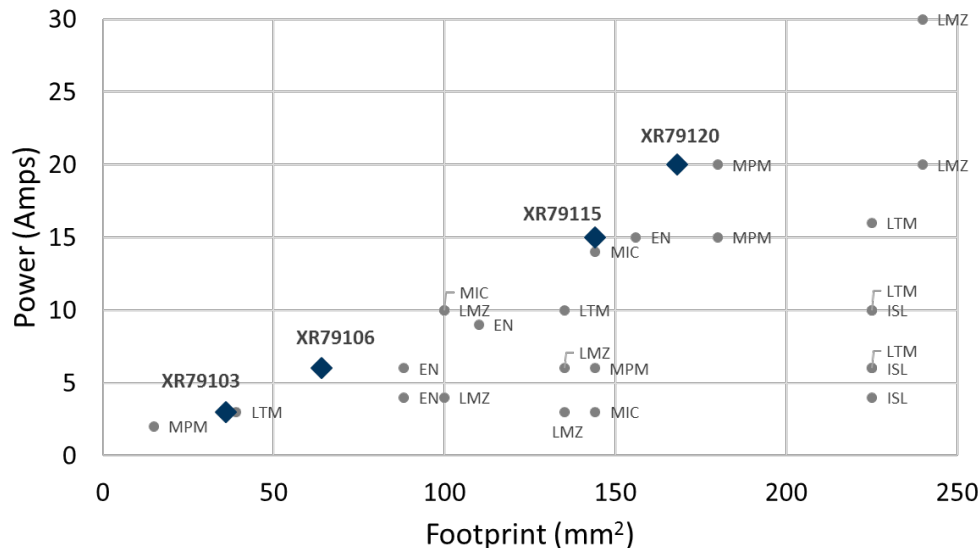
■ Exar's Differentiation

- Small QFN Packaging
 - › Low profile allows mounting on backside of boards
 - › Better thermal performance
 - › All pins accessible for easier debugging & routing
 - › 260°C lead solder temp vs 245°C (LGA)
- Patented COT control
- High density

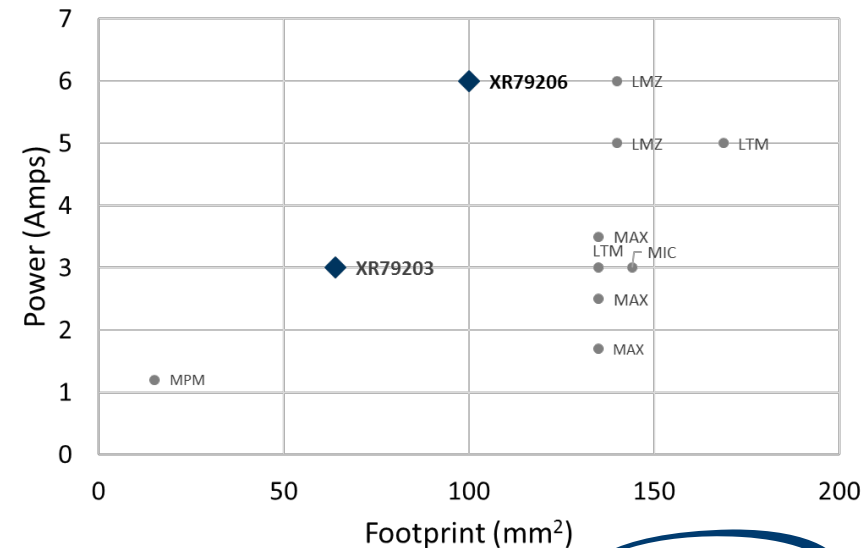
Exar QFN vs. Competition



Current Density <24Vin



Current Density ≤40Vin



Automotive Market Overview



DELPHI



BOMBARDIER

Panasonic



BOSCH



Exar in the Automotive Market

- Low power, rail-to-rail amplifiers
 - 2.5V to 12V amplifiers with leading power-performance ratios
- 40V regulators
 - 3A / 5A / 8A synchronous buck regulators
 - XR76208 highest current synchronous buck regulator
- Universal PMICs
 - Largest portfolio of single phase, programmable power management systems
- 40V Power Modules
 - 3A/6A high density power modules in QFN packages
- Broad line of LDOs
 - Including 2A and 3A uLDOs with 140mV dropout at 1.1V that require no external bias or charge pumps
- Large portfolio of RS-232, RS-485, dual- and multi-protocol serial transceivers



Exar Solutions for Infotainment Systems

Connectivity

- Serial transceivers
- USB UARTs
- I²C SPI UARTs
- GPIO Expanders



Infotainment System

Power Management

- PoL regulators
- Power modules
- Universal PMICs with telemetry
- LDOs

High Performance Analog

- Single supply, low Power rail-to-rail amplifiers
- Triple video DACs

Growth Opportunities

- Point-of-Load regulators undergoing automotive qualification
- Customized PMICs
- Various new products underway in this space including CAN transceivers



Audio/Video Market Overview



HIKVISION

SHURE

alhua
TECHNOLOGY

tyco

CISCO

Control **4**



exacq
Technologies

VERINT

MOTOROLA
SOLUTIONS



Exar in the Audio / Video Market

- Leader in HD and SD CCTV surveillance
- Universal PMICs
- 5.5V to 40V, step-down PoL regulators
- 22V and 40V, 3A to 20A high density power modules
- High performance video amplifiers
- Port expansion with GPIO & USB UARTs
- Serial transceivers



Exar Powers Video Conferencing Equipment

Connectivity

- Serial transceivers
- USB UARTs
- I²C SPI UARTs
- GPIO Expanders



Power Management

- PoL regulators
- Universal PMICs with telemetry
- Power modules
- LDOs

Growth Opportunities

- Universal PMICs
- Force touch interfaces
- Power modules



Video Conferencing Equipment

Investor Presentation

Financial Update

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Financial Highlights (Continuing Operations)

	Q2FY17 (Sept-16)	Q1FY17* (June-16)	Q/Q Change		Q3FY17 Guidance (Dec-16)	Quarterly Target Model
Revenue	\$27.6M	\$27.1M	2%	↑	\$27.1M +/- \$0.5M	\$40M
GM%	51.9%	51.8%	7 bps	↑	52.5% +/- 1%	55%
Opex.	\$10.6M	\$10.1M	5%	↑	\$10.8M +/- \$0.2M	35%
Oper. Income	\$3.7M	\$4.0M	(6%)	↓	\$2.8M to \$4.3M	20%
EPS	\$0.08	\$0.08	(3%)	↓	\$0.06 to \$0.08	\$0.15

Q2-FY17 Comments

- **Quarterly Revenue** up 10% on per week basis (14 wk to 13 wk), driven by increase in industrial & automotive markets.
- **Quarterly Gross Margin** was flat as continued realization of COGS reductions was offset by less favorable product mix.
- **OPEX** included annual merit increases, additional headcount, and increased rent expense from sale-leaseback of Fremont facility.

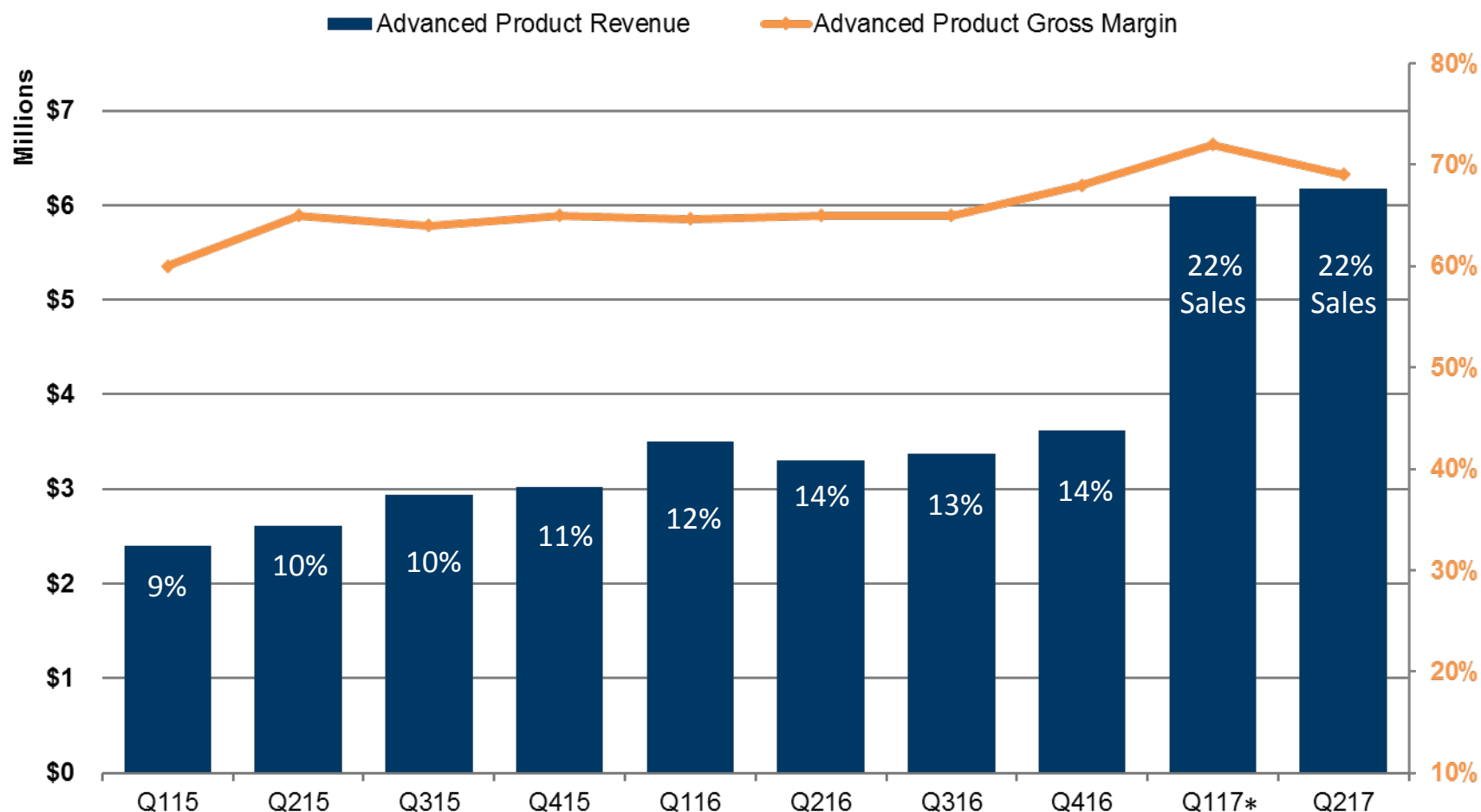
* Q1 Fiscal Year 2017 included 14 weeks, as opposed to 13 weeks.

Q3-FY17 Guidance Comments

- **Quarterly Revenue** expected to be down on softness in industrial market and due to delay of expected product ramps at several key customers in infrastructure markets.
- **Quarterly Gross Margin** expected to continue improvements from manufacturing cost reduction realization.
- **Quarterly OPEX** expected to continue growth due to hiring of additional sales and engineering resources.



Advanced Product Sales Increasing

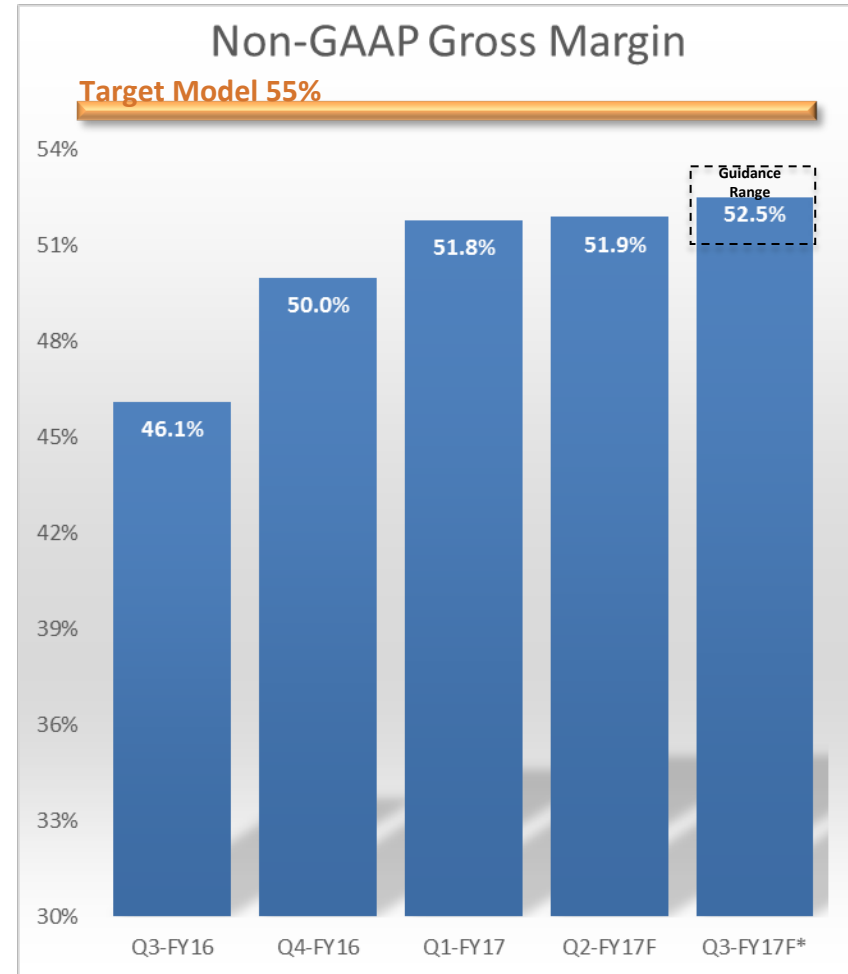


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Margin Improvement Progress Continues

- Started transformation in Q4' 16
- China back-end up to 50% at end of Q2' 17. Still expected to grow to >70% by end of FY' 17.
- Front-end strategy planning now underway
- Cumulative quarterly savings \$2.1M
- New target is to exceed \$3M in quarterly savings by end of FY' 17





Exar's mission is to leverage our extensive analog and mixed-signal portfolio, experience and IP to deliver leading-edge application specific technology solutions to target markets where operational excellence and reliability are valued. We service the Industrial, Infrastructure, Automotive, and Audio/Video markets by acting as an extension of the customer's own technology organization and singularly focusing on exceeding customer expectations. Our long history of innovation, financial stability, and product performance give our customers confidence, while our global structure enables our exceptional customer responsiveness.