

# Marvell Technology Group Ltd. Reports Third Quarter Of Fiscal 2011 Results

**Revenue: \$959 Million, Up 7 Percent Sequentially**  
**GAAP Net Income: \$256 Million, \$0.38 per share EPS**  
**Free Cash Flow: \$338 Million, 35 Percent of Revenue**

SANTA CLARA, Calif., Nov. 18, 2010 /[PRNewswire-FirstCall](#)/ -- Marvell Technology Group Ltd. (Nasdaq: MRVL), a global leader in integrated silicon solutions, today reported financial results for the third quarter of fiscal 2011, ended October 30, 2010.

(Logo: [https://investor.marvell.com/image/Marvell\\_logo.jpg](https://investor.marvell.com/image/Marvell_logo.jpg))

Net revenue for the third quarter of fiscal 2011 was \$959 million, a 20 percent increase from \$803 million in the third quarter of fiscal 2010, ended October 31, 2009, and an 7 percent sequential increase from \$896 million in the second quarter of fiscal 2011, ended July 31, 2010.

GAAP net income was \$256 million, or \$0.38 per share (diluted), for the third quarter of fiscal 2011, compared with a GAAP net income of \$202 million, or \$0.31 per share (diluted), for the third quarter of fiscal 2010. GAAP net income in the second quarter of fiscal 2011 was \$220 million, or \$0.33 per share (diluted).

Non-GAAP net income was \$307 million, or \$0.45 per share (diluted), for the third quarter of fiscal 2011, as compared with non-GAAP net income of \$232 million, or \$0.35 per share (diluted), for the third quarter of fiscal 2010. Non-GAAP net income for the second quarter of fiscal 2011 was \$273 million, or \$0.40 per share (diluted).

"We delivered excellent results, which were at the high-end of our original guidance for the third quarter," said Dr. Sehat Sutardja, Marvell's Chairman and Chief Executive Officer. "We delivered significant long term growth in all of our target end-markets. We continue to make excellent progress within our mobile and wireless end market, which increased over 20 percent sequentially, and we experienced improved demand within our storage end-market as revenue increased 3 percent sequentially. Furthermore, we continue to deliver robust margins and significant free cash flow, which highlights the long term leverage our business model can deliver."

Marvell reports net income, basic and diluted net income per share in accordance with U.S. generally accepted accounting principles (GAAP) and on a non-GAAP basis as outlined below. Reconciliations of GAAP net income to non-GAAP net income for the three months ended October 30, 2010, July 31, 2010 and October 31, 2009 appear in the financial statements below. Non-GAAP net income, where applicable, excludes the effect of stock-based compensation, amortization and write-offs of acquired intangible assets, restructuring costs and certain other expenses or benefits.

GAAP gross margin for the third quarter of fiscal 2011 was 59.3 percent, compared to 57.5 percent for the third quarter of fiscal 2010 and 59.1 percent for the second quarter of fiscal 2011.

Non-GAAP gross margin for the third quarter of fiscal 2011 was 59.5 percent, compared to 57.8 percent for the third quarter of fiscal 2010 and 59.3 percent for the second quarter of fiscal 2011.

Shares used to compute GAAP net income per diluted share for the third quarter of fiscal 2011 were 675 million shares, compared with 660 million shares in the third quarter of fiscal 2010 and 675 million shares in the second quarter of fiscal 2011. Shares used to compute non-GAAP net income per diluted share for the third quarter of fiscal 2011 were 677 million shares, compared with 664 million shares for the third quarter of fiscal 2010 and 678 million shares for the second quarter of fiscal 2011.

Cash flow from operations for the third quarter of fiscal 2011 was \$368 million, up from the \$204 million in the third quarter of fiscal 2010 and up from the \$319 million reported in the second quarter of fiscal 2011. Free cash flow for the third quarter of fiscal 2011 was \$338 million, up from the \$196 million reported in third quarter of fiscal 2010, and up from the \$292 million reported in the second quarter of fiscal 2011. Free cash flow as presented above is defined as cash flow from operations, less capital expenditures and purchases of technology licenses.

## Conference Call

Marvell will be conducting a conference call on November 18, 2010 at 1:45 p.m. Pacific Time to discuss results

for the third quarter of fiscal 2011. Interested parties may join the conference call by dialing **1-866-510-0707**, **pass-code 19248119**. The call will be webcast by Thomson Reuters and can be accessed at the Marvell Investor Relations website at <http://investor.marvell.com/> with a replay available following the call until December 18, 2010.

## **Discussion of Non-GAAP Financial Measures**

Non-GAAP financial measures exclude stock-based compensation expense as well as charges related to acquisitions, restructuring, gains and other charges that are driven primarily by discrete events that management does not consider to be directly related to Marvell's core operating performance. Non-GAAP income per share is calculated by dividing non-GAAP net income by non-GAAP weighted average shares outstanding (diluted). For purposes of calculating non-GAAP income per share, the GAAP weighted average shares outstanding (diluted) is adjusted to exclude the potential benefits of compensation costs expected to be incurred in future periods, but not yet recognized in the financial statements. The expected compensation costs are treated as proceeds assumed to be used to repurchase shares under the GAAP treasury stock method and also include the dilutive/antidilutive effects of common stock options and restricted stock.

Marvell believes that the presentation of non-GAAP financial measures provide important supplemental information to management and investors regarding financial and business trends relating to Marvell's financial condition and results of operations. While Marvell uses non-GAAP financial measures as a tool to enhance its understanding of certain aspects of its financial performance, Marvell does not consider these measures to be a substitute for, or superior to, the information provided by GAAP financial measures. Consistent with this approach, Marvell believes that disclosing non-GAAP financial measures to the readers of its financial statements provides such readers with useful supplemental data that, while not a substitute for GAAP financial measures, allows for greater transparency in the review of its financial and operational performance. For further information regarding why Marvell believes that these non-GAAP measures provide useful information to investors, the specific manner in which management uses these measures, and some of the limitations associated with the use of these measures, please refer to Marvell's Current Report on Form 8-K filed today with the SEC. The Form 8-K is available on the SEC's website at [www.sec.gov](http://www.sec.gov) as well as on the Marvell website in the Investor Relations section at [www.marvell.com](http://www.marvell.com).

## **About Marvell**

Marvell Technology Group Ltd. (NASDAQ: MRVL) is a global leader in the development of storage, communications and consumer silicon solutions. Marvell's diverse product portfolio includes switching, transceiver, communications controller, wireless, and storage solutions that power the entire communications infrastructure, including enterprise, metro, home, and storage networking. As used in this release, the term the "Marvell" refers to Marvell Technology Group Ltd. and its subsidiaries. For more information please visit [www.marvell.com](http://www.marvell.com).

## **Forward-Looking Statements**

This press release contains forward-looking statements that involve risks and uncertainties, including statements regarding the sustainability of Marvell's ability to deliver long term growth, robust margins and significant free cash flow; and statements concerning Marvell's use of non-GAAP financial measures as important supplemental information. These statements are not guarantees of results and should not be considered as an indication of future performance. Actual events or results may differ materially from those described in this document due to a number of risks and uncertainties, including, among others, Marvell's financial condition and results of operations may vary from quarter to quarter; the impact of global economic conditions on Marvell's business; significant dependence on the hard disk drive industry; highly competitive nature of the markets in which Marvell competes; reliance on a few customers; market acceptance of Marvell's products; and the impact of current or future intellectual property litigation and claims for indemnification. For other factors that could cause Marvell's results to vary from expectations, please see the risk factors identified in Marvell's latest Annual Report on Form 10-K for the year ended January 30, 2010, subsequent Quarterly Reports on Form 10-Q and Current Reports on Form 8-K as filed with the SEC. When Marvell files its Form 10-Q for the third quarter of fiscal 2011, the financial statements may differ from the results disclosed in this press release because judgments and estimates that management used in preparing the financial results reported in this press release may need to be updated to the date of the filing. Marvell's results also remain subject to review by Marvell's independent registered public accounting firm. Marvell undertakes no obligation to revise or update publicly any forward-looking statements.

|   | Three Months Ended  |                   |                     | Nine Months Ended   |                     |
|---|---------------------|-------------------|---------------------|---------------------|---------------------|
|   | October 30,<br>2010 | July 31,<br>2010  | October 31,<br>2009 | October 30,<br>2010 | October 31,<br>2009 |
| Net revenue   | \$ 959,327          | \$ 896,474        | \$ 803,098          | \$ 2,711,380        | \$ 1,965,152        |
| Cost of goods sold                                  | 390,808             | 366,682           | 341,617             | 1,101,475           | 887,306             |
| Gross profit  | 568,519             | 529,792           | 461,481             | 1,609,905           | 1,077,846           |
| Operating expenses:                                 |                     |                   |                     |                     |                     |
| Research and development                            | 218,420             | 228,211           | 212,873             | 665,742             | 615,152             |
| Selling and marketing                               | 39,751              | 36,863            | 35,442              | 115,037             | 102,260             |
| General and administrative                          | 29,576              | 25,440            | 16,660              | 78,124              | 148,856             |
| Amortization of acquired intangible assets          | 21,770              | 21,214            | 26,450              | 65,533              | 83,252              |
| Total operating expenses                            | 309,517             | 311,728           | 291,425             | 924,436             | 949,520             |
| Operating income                                    | 259,002             | 218,064           | 170,056             | 685,469             | 128,326             |
| Interest and other income (expense), net            | (1,665)             | 4,212             | (1,373)             | (1,205)             | (1,254)             |
| Income before income taxes                          | 257,337             | 222,276           | 168,683             | 684,264             | 127,072             |
| Provision (benefit) for income taxes                | 1,605               | 2,499             | (32,916)            | 2,988               | (21,563)            |
| Net income  | <u>\$ 255,732</u>   | <u>\$ 219,777</u> | <u>\$ 201,599</u>   | <u>\$ 681,276</u>   | <u>148,635</u>      |
| Basic net income per share                          | <u>\$ 0.39</u>      | <u>\$ 0.34</u>    | <u>\$ 0.32</u>      | <u>\$ 1.05</u>      | <u>\$ 0.24</u>      |
| Diluted net income per share                        | <u>\$ 0.38</u>      | <u>\$ 0.33</u>    | <u>\$ 0.31</u>      | <u>\$ 1.01</u>      | <u>\$ 0.23</u>      |
| Shares used in computing basic earnings per share   | 649,782             | 648,028           | 623,613             | 646,246             | 621,057             |
| Shares used in computing diluted earnings per share | 674,789             | 675,220           | 659,739             | 676,023             | 647,863             |

**Marvell Technology Group Ltd.**  
**Reconciliation of GAAP Net Income to Non-GAAP Net Income**  
**(Unaudited)**  
**(In thousands, except per share amounts)**

|  | Three Months Ended  |                   |                     | Nine Months Ended   |                     |
|--|---------------------|-------------------|---------------------|---------------------|---------------------|
|  | October 30,<br>2010 | July 31,<br>2010  | October 31,<br>2009 | October 30,<br>2010 | October 31,<br>2009 |
| GAAP net income                              | \$ 255,732          | \$ 219,777        | \$ 201,599          | \$ 681,276          | \$ 148,635          |
| Stock-based compensation                     | 29,541              | 30,689            | 34,377              | 87,126              | 96,040              |
| Amortization of acquired intangible assets   | 21,770              | 21,214            | 26,450              | 65,533              | 83,252              |
| Restructuring (a)                            | 259                 | 1,660             | 1,919               | 2,504               | 15,211              |
| Legal/Tax related matters (b)                | -                   | -                 | (32,569)            | 4,373               | 38,229              |
| Other (c)                                    | -                   | -                 | -                   | -                   | 990                 |
| Non-GAAP net income                          | <u>\$ 307,302</u>   | <u>\$ 273,340</u> | <u>\$ 231,776</u>   | <u>\$ 840,812</u>   | <u>\$ 382,357</u>   |
| GAAP weighted average shares - diluted       | 674,789             | 675,220           | 659,739             | 676,023             | 647,863             |
| Non-GAAP adjustment                          | 2,710               | 3,131             | 4,297               | 3,050               | 2,938               |
| Non-GAAP weighted average shares diluted (d) | <u>677,499</u>      | <u>678,351</u>    | <u>664,036</u>      | <u>679,073</u>      | <u>650,801</u>      |
| GAAP diluted net income per share            | <u>\$ 0.38</u>      | <u>\$ 0.33</u>    | <u>\$ 0.31</u>      | <u>\$ 1.01</u>      | <u>\$ 0.23</u>      |
| Non-GAAP diluted net income per share        | <u>\$ 0.45</u>      | <u>\$ 0.40</u>    | <u>\$ 0.35</u>      | <u>\$ 1.24</u>      | <u>\$ 0.59</u>      |
| GAAP gross profit:                           | \$ 568,519          | \$ 529,792        | \$ 461,481          | \$ 1,609,905        | \$ 1,077,846        |
| Stock-based compensation                     | 1,818               | 1,692             | 2,389               | 5,746               | 8,315               |
| Other  | -                   | -                 | -                   | -                   | 990                 |
| Non-GAAP gross profit                        | <u>\$ 570,337</u>   | <u>\$ 531,484</u> | <u>\$ 463,870</u>   | <u>\$ 1,615,651</u> | <u>\$ 1,087,151</u> |

|                                     |                   |                   |                   |                   |                   |
|-------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| GAAP gross profit as a % of revenue | 59.3%             | 59.1%             | 57.5%             | 59.4%             | 54.8%             |
| Stock-based compensation            | 0.2%              | 0.2%              | 0.3%              | 0.2%              | 0.4%              |
| Other                               | -                 | -                 | -                 | -                 | 0.1%              |
| Non-GAAP gross profit               | <u>59.5%</u>      | <u>59.3%</u>      | <u>57.8%</u>      | <u>59.6%</u>      | <u>55.3%</u>      |
| GAAP research and development:      | \$ 218,420        | \$ 228,211        | \$ 212,873        | \$ 665,742        | \$ 615,152        |
| Stock-based compensation            | (19,795)          | (22,089)          | (24,134)          | (60,735)          | (68,064)          |
| Restructuring                       | (187)             | (1,370)           | (1,338)           | (1,686)           | (10,704)          |
| Legal/Tax settlement                | -                 | -                 | -                 | -                 | 1,820             |
| Non-GAAP research and development   | <u>\$ 198,438</u> | <u>\$ 204,752</u> | <u>\$ 187,401</u> | <u>\$ 603,321</u> | <u>\$ 538,204</u> |
| GAAP selling and marketing:         | \$ 39,751         | \$ 36,863         | \$ 35,442         | \$ 115,037        | \$ 102,260        |
| Stock-based compensation            | (3,208)           | (2,397)           | (4,087)           | (8,778)           | (11,457)          |
| Restructuring                       | -                 | -                 | (51)              | -                 | (1,839)           |
| Legal/Tax settlement                | -                 | -                 | -                 | -                 | 659               |
| Non-GAAP selling and marketing      | <u>\$ 36,543</u>  | <u>\$ 34,466</u>  | <u>\$ 31,304</u>  | <u>\$ 106,259</u> | <u>\$ 89,623</u>  |
| GAAP general and administrative:    | \$ 29,576         | \$ 25,440         | \$ 16,660         | \$ 78,124         | \$ 148,856        |
| Stock-based compensation            | (4,720)           | (4,511)           | (3,767)           | (11,867)          | (8,204)           |
| Restructuring                       | (72)              | (290)             | (530)             | (818)             | (2,668)           |
| Legal/Tax settlement                | -                 | -                 | -                 | -                 | (71,842)          |
| Non-GAAP general and administrative | <u>\$ 24,784</u>  | <u>\$ 20,639</u>  | <u>\$ 12,363</u>  | <u>\$ 65,439</u>  | <u>\$ 66,142</u>  |

(a) Amounts represent restructuring-related charges, including severance costs from reductions in force and asset impairment, as well as a charge related to facilities impairment.

(b) The nine months ended October 30, 2010 includes an amount representing the portion of an IP litigation settlement. The nine months ended October 31, 2009 includes a \$72.0 million charge in connection with the settlement of a class action litigation. This is offset by a \$27.3 million benefit in the fiscal quarter ended October 31, 2009 resulting from the expiration of the statute of limitations related to a tax contingency reserve, in addition to a \$5.3 million income tax benefit related to the adjustment of a prior year deferred tax asset.

(c) The nine months ended October 31, 2009 includes underutilization charges related to the rampdown of the Malaysia test operations.

(d) For purposes of calculating non-GAAP diluted net income per share, the GAAP diluted weighted average shares outstanding is adjusted to exclude the benefits of stock compensation costs attributable to future services and not yet recognized in the financial statements.

**Marvell Technology Group Ltd.**  
**Condensed Consolidated Balance Sheets**  
**(Unaudited)**  
**(In thousands)**

|  | <b>October 31,<br/>2010</b> | <b>January 30,<br/>2010</b> |
|--|-----------------------------|-----------------------------|
| <b>Assets</b>                                      |                             |                             |
| Current assets:                                    |                             |                             |
| Cash, cash equivalents, and short-term investments | \$ 2,675,273                | \$ 1,796,717                |
| Accounts receivable, net                           | 467,975                     | 356,796                     |
| Inventories  | 227,936                     | 241,541                     |
| Prepaid expenses and other current assets          | 78,576                      | 70,491                      |
| Total current assets                               | 3,449,760                   | 2,465,545                   |
| Property and equipment, net                        | 347,588                     | 342,497                     |
| Long-term investments                              | 30,865                      | 34,281                      |
| Goodwill and acquired intangible assets, net       | 2,131,666                   | 2,176,763                   |
| Other non-current assets                           | 161,793                     | 151,854                     |
| Total assets                                       | <u>\$ 6,121,672</u>         | <u>\$ 5,170,940</u>         |

**Liabilities and Shareholders' Equity**

## Current liabilities:

|   |            |            |
|---|------------|------------|
| Accounts payable                                  | \$ 352,216 | \$ 283,362 |
| Accrued liabilities                               | 234,710    | 201,920    |
| Income taxes payable                              | 22,540     | 19,992     |
| Deferred income                                   | 88,216     | 59,396     |
| Current portion of capital lease obligations      | 1,011      | 1,940      |
| Total current liabilities                         | 698,693    | 566,610    |
| Capital lease obligations, net of current portion | -          | 511        |
| Other long-term liabilities                       | 194,973    | 185,840    |
| Total liabilities                                 | 893,666    | 752,961    |

## Shareholders' equity:

|   |              |              |
|---|--------------|--------------|
| Common stock                                  | 1,297        | 1,277        |
| Additional paid-in capital                    | 4,732,088    | 4,607,844    |
| Accumulated other comprehensive income (loss) | 3,602        | (885)        |
| Retained earnings (accumulated deficit)       | 491,019      | (190,257)    |
| Total shareholders' equity                    | 5,228,006    | 4,417,979    |
| Total liabilities and shareholders' equity    | \$ 6,121,672 | \$ 5,170,940 |

**Marvell Technology Group Ltd.**  
**Condensed Consolidated Statements of Cash Flows**  
**(Unaudited)**  
**(in thousands)**

|   | <b>Three Months Ended</b> |                    | <b>Nine Months Ended</b> |                    |
|---|---------------------------|--------------------|--------------------------|--------------------|
|   | <b>October 30,</b>        | <b>October 31,</b> | <b>October 30,</b>       | <b>October 31,</b> |
|   | <b>2010</b>               | <b>2009</b>        | <b>2010</b>              | <b>2009</b>        |
| Cash flows from operating activities:   |                           |                    |                          |                    |
| Net income  | \$ 255,732                | \$ 201,599         | \$ 681,276               | \$ 148,635         |
| Adjustments to reconcile net income to net cash provided by operating activities: |                           |                    |                          |                    |
| Depreciation and amortization   | 23,140                    | 24,571             | 68,991                   | 74,976             |
| Stock-based compensation  | 29,541                    | 34,377             | 87,126                   | 96,040             |
| Amortization of acquired intangible assets  | 21,770                    | 26,450             | 65,533                   | 83,252             |
| Facilities impairment   | -                         | -                  | 1,140                    | -                  |
| Amortization of marketable securities premium                                     | 4,756                     | -                  | 9,568                    | -                  |
| Fair market value adjustment to acquired inventory sold                           | (401)                     | (10,807)           | (2,391)                  | (13,883)           |
| Excess tax benefits from stock-based compensation                                 | (440)                     | (136)              | (669)                    | (205)              |
| Deferred income taxes   | (5,029)                   | 263                | (6,486)                  | 6,131              |
| Changes in assets and liabilities:  |                           |                    |                          |                    |
| Restricted cash   | -                         | 24,500             | -                        | 24,500             |
| Accounts receivable   | 22,780                    | (65,857)           | (111,179)                | (172,218)          |
| Inventories   | 11,940                    | (17,039)           | 15,856                   | 83,548             |
| Prepaid expenses and other assets   | (10,172)                  | (1,362)            | (3,718)                  | 7,559              |
| Accounts payable  | (34,508)                  | 38,281             | 63,935                   | 172,062            |
| Accrued liabilities and other   | 8,205                     | (82,687)           | 10,785                   | (13,628)           |
| Accrued employee compensation   | 33,065                    | 36,123             | 26,965                   | 35,149             |
| Income taxes payable  | 5,310                     | (33,988)           | 7,163                    | (29,060)           |
| Deferred income   | 2,197                     | 29,246             | 28,820                   | 27,538             |
| Net cash provided by operating activities   | 367,886                   | 203,534            | 942,715                  | 530,396            |
| Cash flows from investing activities:   |                           |                    |                          |                    |
| Purchases of investments  | (312,890)                 | (426,998)          | (1,023,700)              | (426,998)          |
| Sales and maturities of investments   | 330,993                   | 10,268             | 678,738                  | 10,318             |
| Cash paid for acquisitions, net   | -                         | -                  | (20,679)                 | -                  |
| Purchases of technology licenses  | (5,830)                   | -                  | (12,649)                 | (12,550)           |

|  |                     |                     |                     |                     |
|--|---------------------|---------------------|---------------------|---------------------|
| Purchases of property and equipment                  | (23,969)            | (7,629)             | (63,267)            | (14,808)            |
| Net cash used in investing activities                | (11,696)            | (424,359)           | (441,557)           | (444,038)           |
| Cash flows from financing activities:                |                     |                     |                     |                     |
| Repurchase of common stock                           | (60,594)            | -                   | (60,594)            | -                   |
| Proceeds from employee stock plans                   | 17,196              | 13,728              | 97,673              | 34,749              |
| Principal payments on capital lease obligations      | (490)               | (451)               | (1,440)             | (1,326)             |
| Excess tax benefits from stock-based compensation    | 440                 | 136                 | 669                 | 205                 |
| Net cash (used in) provided by financing activities  | (43,448)            | 13,413              | 36,308              | 33,628              |
| Net increase (decrease) in cash and cash equivalents | 312,742             | (207,412)           | 537,466             | 119,986             |
| Cash and cash equivalents at beginning of period     | 1,330,152           | 1,254,807           | 1,105,428           | 927,409             |
| Cash and cash equivalents at end of period           | <u>\$ 1,642,894</u> | <u>\$ 1,047,395</u> | <u>\$ 1,642,894</u> | <u>\$ 1,047,395</u> |

**For further information, contact:**

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