Marvell Technology Group

First Quarter of Fiscal Year 2018 Results

May 25, 2017

Safe Harbor: Forward-Looking Statements

This presentation contains forward-looking statements within the meaning of the federal securities laws that involve risks and uncertainties, including: Marvell's expectations regarding its first quarter of fiscal 2018 financial outlook; and Marvell's use of Non-GAAP financial measures as important supplemental information. Words such as "anticipates," "expects," "intends," "plans," "projects," "believes," "seeks," "estimates," "can," "may," "will," "would" and similar expressions identify such forward-looking statements. These statements are not guarantees of results and should not be considered as an indication of future activity or future performance. Actual events or results may differ materially from those described in this press release due to a number of risks and uncertainties, including, but not limited to: adverse impacts of litigation or regulatory activities; Marvell's ability to implement its restructuring in a timely manner; the amount and timing of anticipated charges associated with the restructuring; Marvell's ability to increase its operational efficiency and decrease its operating expenses to the anticipated level; its ability to divest certain non-strategic businesses within the anticipated timeframes and with the anticipated cost savings; actions that may be taken by Marvell as a result of the Audit Committee's investigation; Marvell's ability to compete in products and prices in an intensely competitive industry; Marvell's reliance on the hard disk drive and wireless markets, which are highly cyclical and intensely competitive; costs and liabilities relating to current and future litigation; Marvell's reliance on a few customers for a significant portion of its revenue; severe financial hardship or bankruptcy of one or more of Marvell's major customers; Marvell's ability to develop and introduce new and enhanced products in a timely and cost effective manner and the adoption of those products in the market; seasonality in sales of consumer devices in which Marvell's products are incorporated; uncertainty in the worldwide economic conditions; risks associated with manufacturing and selling a majority of Marvell's products and Marvell's customers' products outside of the United States; risks associated with acquisition and consolidation activity in the semiconductor industry; and other risks detailed in Marvell's SEC filings from time to time. For other factors that could cause Marvell's results to vary from expectations, please see the risk factors identified in Marvell's Annual Report on Form 10-K for the fiscal year ended January 28, 2017 as filed with the SEC on March 28, 2017, and other factors detailed from time to time in Marvell's filings with the SEC. Marvell undertakes no obligation to revise or update publicly any forward-looking statements.

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Use of Non-GAAP Financial Measures

These slides provide financial measures on a U.S. GAAP as well as a non-GAAP basis. These non-GAAP results exclude the effect of share-based compensation expense, amortization and write-off of acquired intangible assets, acquisition-related costs, restructuring and other related charges, and certain one-time expenses or benefits, including but not limited to, certain litigation settlements. We believe that the presentation of non-GAAP financial measures provides important supplemental information to management and investors regarding financial and business trends relating to our financial condition and results of operations. While we use non-GAAP financial measures as a tool to enhance our understanding of certain aspects of our financial performance, we do not consider these measures to be a substitute for, or superior to, the information provided by GAAP financial measures. A reconciliation in accordance with SEC Regulation G for the non-GAAP financial measures used in these slides is available in the financial statements section to this presentation and/or in the Investor Relations section of our website at www.marvell.com.

Discontinued Operations
The Company's financial results for prior periods presented herein have been recast to reflect certain businesses that were classified as discontinued operations during the fourth quarter of fiscal year 2017.

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Marvell Technology Group Ltd.

Unaudited Condensed Consolidated Balance Sheets

(In thousands)

	Q2'16	Q3'16	Q4'16	Q1'17	Q2'17	Q3'17	Q4'17	Q1'18
Assets								
Current assets:								
Cash and cash equivalents	$ 927,530	$ 897,053	$ 1,278,180	$ 780,222	$ 718,752	$ 751,588	$ 814,092	$ 725,962
Short-term investments	1,410,117	1,406,699	1,004,569	835,018	905,257	898,784	854,268	923,449
Accounts receivable, net	417,721	380,928	323,300	280,658	348,683	362,195	335,384	357,147
Inventories	311,060	266,278	200,958	186,692	188,505	189,576	171,969	178,145
Prepaid expenses and other current assets	86,106	71,450	102,560	57,139	54,870	49,731	58,771	44,577
Assets held for sale	53,118	49,114	45,095	46,546	50,734	45,694	45,846	39,708
Total current assets	3,205,652	3,071,522	2,954,662	2,186,275	2,266,801	2,297,568	2,280,330	2,268,988
Property and equipment, net	319,909	307,612	296,778	281,133	271,450	262,066	243,397	239,358
Goodwill and acquired intangible assets, net	2,020,650	2,017,661	2,015,360	2,013,061	2,019,736	2,008,464	2,006,984	2,005,912
Other non-current assets	119,745	109,729	175,327	176,652	158,689	186,348	117,939	121,979
Total assets	$ 5,665,956	$ 5,506,524	$ 5,442,127	$ 4,657,121	$ 4,716,676	$ 4,754,446	$ 4,648,650	$ 4,636,237
Liabilities and Shareholders' Equity								
Current liabilities:								
Accounts payable	$ 289,023	$ 236,675	$ 180,372	$ 193,697	$ 212,950	$ 183,252	$ 143,484	$ 179,017
Accrued liabilities	160,969	145,140	132,060	107,731	112,976	124,289	143,491	154,315
Carnegie Mellon University accrued litigation settlement	733,557	734,715	736,000	—	—	—	—	—
Accrued employee compensation	126,038	140,333	121,631	128,783	106,513	132,050	139,647	132,118
Deferred income	58,416	57,090	53,973	52,926	70,212	62,066	68,124	74,064
Liabilities held for sale	1,236	996	1,749	1,562	1,837	1,590	1,670	746
Total current liabilities	1,369,239	1,314,949	1,225,785	484,699	504,488	503,247	496,416	540,260
Non-current income taxes payable	55,283	55,146	49,256	50,046	35,817	40,524	60,646	62,720
Other non-current liabilities	27,437	24,946	26,963	22,558	17,283	30,181	63,937	71,411
Total liabilities	1,451,959	1,395,041	1,302,004	557,303	557,588	573,952	620,999	674,391
Shareholders' equity:								
Common stock	1,015	1,010	1,015	1,022	1,022	1,017	1,012	1,001
Additional paid-in-capital	2,989,011	2,975,426	3,028,921	3,038,732	3,075,579	3,057,535	3,016,775	2,876,507
Accumulated other comprehensive income (loss)	(1,278)	(2,182)	(795)	2,222	4,015	1,553	23	(164)
Retained earnings	1,225,249	1,137,229	1,110,982	1,057,842	1,078,472	1,120,389	1,009,841	1,084,502
Total shareholders' equity	4,213,997	4,111,483	4,140,123	4,099,818	4,159,088	4,180,494	4,027,651	3,961,846
Total liabilities and shareholders' equity	$ 5,665,956	$ 5,506,524	$ 5,442,127	$ 4,657,121	$ 4,716,676	$ 4,754,446	$ 4,648,650	$ 4,636,237
GAAP inventory turns	5.7	5.5	5.8	5.2	5.8	5.7	5.7	5.2
GAAP days in inventory	64	66	63	70	63	64	64	70

Marvell Technology Group Ltd.

Unaudited Consolidated Statements of Operations

(In thousands, except per share amounts)

	Q2'16	Q3'16	Q4'16	Q1'17	Q2'17	Q3'17	Q4'17	Q1'18
Net revenue	$ 687,923	$ 649,217	$ 602,513	519,383	$ 600,799	$ 626,092	$ 571,400	$ 579,180
Cost of goods sold	446,003	363,090	292,288	244,354	272,977	268,313	243,883	230,549
Gross profit (loss)	241,920	286,127	310,225	275,029	327,822	357,779	327,517	348,631
Operating expenses:								
Research and development	270,012	238,745	221,874	226,541	214,451	208,849	181,557	193,027
Selling, general and administrative	67,222	65,531	69,029	64,163	67,991	60,182	59,233	55,211
Restructuring related charges	13,000	35,270	4,389	4,441	721	1,164	98,860	1,505
Carnegie Mellon University litigation settlement	654,667	—	—	—	—	—	—	—
Total operating expenses	1,004,901	339,546	295,292	295,145	283,163	270,195	339,650	249,743
Operating income (loss)	(762,981)	(53,419)	14,933	(20,116)	44,659	87,584	(12,133)	98,888
Interest and other income, net	6,790	4,644	1,084	1,488	6,284	5,470	3,780	3,333
Income (loss) from continuing operations before income taxes	(756,191)	(48,775)	16,017	(18,628)	50,943	93,054	(8,353)	102,221
Provision (benefit) for income taxes	5,293	3,181	(1,156)	(5,357)	(5,745)	15,600	68,524	5,251
Income (loss) from continuing operations	(761,484)	(51,956)	17,173	(13,271)	56,688	77,454	(76,877)	96,970
Income (loss) from discontinued operations, net of tax	(10,456)	(5,794)	(12,973)	(9,408)	(5,383)	(4,838)	(3,214)	9,651
Net income (loss)	$ (771,940)	$ (57,750)	$ 4,200	(22,679)	$ 51,305	$ 72,616	$ (80,091)	$ 106,621
Net income (loss) per share - Basic:								
Continuing operations	$ (1.47)	$ (0.1)	$ 0.03	(0.03)	$ 0.11	$ 0.15	$ (0.15)	$ 0.19
Discontinued operations	$ (0.02)	$ (0.01)	$ (0.02)	(0.02)	$ (0.01)	$ (0.01)	$ (0.01)	$ 0.02
Net income (loss) per share - basic	$ (1.49)	$ (0.11)	$ 0.01	(0.04)	$ 0.10	$ 0.14	$ (0.16)	$ 0.21
Net income (loss) per share - Diluted:								
Continuing operations	$ (1.47)	$ (0.1)	$ 0.03	(0.03)	$ 0.11	$ 0.15	$ (0.15)	$ 0.19
Discontinued operations	$ (0.02)	$ (0.01)	$ (0.02)	(0.02)	$ (0.01)	$ (0.01)	$ (0.01)	$ 0.02
Net income (loss) per share - diluted	$ (1.49)	$ (0.11)	$ 0.01	(0.04)	$ 0.10	$ 0.14	$ (0.16)	$ 0.21
Weighted average shares - basic	516,368	504,831	506,352	508,794	511,235	511,090	507,834	503,790
Weighted average shares - diluted	516,368	504,831	508,590	508,794	514,314	522,091	507,834	517,592
The following table presents details of total share-based compensation expense included in each functional line item in the unaudited condensed consolidated statements of income above:								
Cost of goods sold	1,985	2,466	1,826	1,784	2,720	2,189	1,641	1,426
Research and development	26,078	20,917	21,724	22,376	25,923	18,039	11,798	14,611
Selling, general and administrative	6,617	6,160	6,641	(1,980)	5,517	5,787	8,966	6,330
Total share-based compensation	$ 34,680	$ 29,543	$ 30,191	$ 22,180	$ 34,160	$ 26,015	$ 22,405	$ 22,367

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

	Q2'16	Q3'16	Q4'16	Q1'17	Q2'17	Q3'17	Q4'17	Q1'18
Cash flows from operating activities:								
Net income (loss)	$ (771,940)	$ (57,750)	$ 4,200	$ (22,679)	$ 51,305	$ 72,616	$ (80,091)	$ 106,621
Adjustments to reconcile net income (loss) to net cash provided by operating activities:								
Depreciation and amortization	25,191	25,565	22,800	27,114	26,866	27,188	26,683	20,742
Share-based compensation	36,674	31,465	32,419	24,453	37,196	28,263	24,058	24,017
Amortization and write-off of acquired intangible assets	3,053	3,635	2,947	2,946	2,946	2,784	1,965	1,071
Restructuring related charges	900	14,270	289	896	129	1,056	50,500	(516)
Deferred income taxes and other	5,656	4,145	11,051	(1,115)	642	(729)	45,846	(11,109)
Excess tax benefits from share-based compensation	(7)	(2)	1	—	(5)	(5)	(27)	—
Gain from sale of a business	—	—	—	—	—	—	—	(8,155)
Changes in assets and liabilities:								
Accounts receivable	(23,907)	36,793	57,628	42,642	(68,025)	(13,512)	26,811	(21,763)
Inventories	12,903	39,457	69,544	13,598	(6,364)	3,710	18,381	(11,542)
Prepaid expenses and other assets	5,985	6,864	(38,411)	(13,217)	6,605	6,256	2,181	6,422
Accounts payable	(5,167)	(55,693)	(62,163)	19,922	20,437	(29,818)	(38,694)	31,423
Accrued liabilities and other non-current liabilities	19,634	3,958	(27,218)	(22,502)	(7,741)	6,508	27,498	448
Carnegie Mellon University accrued litigation settlement	733,557	1,158	1,285	(736,000)	—	—	—	—
Accrued employee compensation	(14,507)	14,295	(18,702)	7,152	(22,270)	25,537	7,597	(7,529)
Deferred income	(1,441)	(1,566)	(2,364)	(1,234)	17,561	(8,393)	6,138	5,016
Net cash provided by (used in) operating activities	26,584	66,594	53,306	(658,024)	59,282	121,461	118,846	135,146
Cash flows from investing activities:								
Purchases of available-for-sale securities	(173,465)	(356,465)	(133,215)	(93,365)	(110,358)	(140,087)	(146,046)	(198,416)
Sales of available-for-sale securities	149,328	242,619	447,142	272,271	67,824	118,649	157,953	78,764
Maturities of available-for-sale securities	72,967	113,790	30,159	97,788	48,682	51,823	41,264	82,235
Purchase of time deposits	—	—	—	(50,000)	(75,000)	(75,000)	(75,000)	(75,000)
Maturities of time deposits	—	—	—	—	—	50,000	75,000	75,000
Distribution from (investments in) privately-held-companies	208	(130)	(119)	—	—	274	(258)	—
Purchases of technology licenses	(2,071)	(980)	(1,579)	(4,050)	(3,995)	(394)	(1,870)	(1,093)
Purchases of property and equipment	(16,986)	(9,041)	(3,894)	(11,868)	(12,509)	(13,347)	(6,786)	(10,026)
Net proceeds from sale of equipment held for sale	—	10,007	—	—	—	—	—	—
Net proceeds from sale of a business	—	—	—	—	—	—	—	22,954
Other	—	—	—	—	—	—	—	7,275
Net cash provided by (used in) investing activities	29,981	(200)	338,494	210,776	(85,356)	(8,082)	44,257	(18,307)
Cash flows from financing activities:								

Repurchases of common stock	(175,311)	(65,291)	—	—	—	(56,531)	(125,033)	(166,293)
Proceeds from employee stock plans	44,161	2,174	21,369	315	244	11,277	62,383	19,939
Minimum tax withholding paid on behalf of employees for net share settlement	(697)	(869)	(482)	(15,270)	(112)	(899)	(402)	(21,809)
Dividend payment to shareholders	(31,194)	(30,270)	(30,447)	(30,461)	(30,675)	(30,699)	(30,457)	(29,991)
Payments on technology license obligations	(4,732)	(2,617)	(1,112)	(5,294)	(4,858)	(3,696)	(7,117)	(6,815)
Excess tax benefits from share-based compensation	7	2	(1)	—	5	5	27	—
Net cash used in financing activities	(167,766)	(96,871)	(10,673)	(50,710)	(35,396)	(80,543)	(100,599)	(204,969)
Net increase (decrease) in cash and cash equivalents	(111,201)	(30,477)	381,127	(497,958)	(61,470)	32,836	62,504	(88,130)
Cash and cash equivalents at beginning of period	1,038,731	927,530	897,053	1,278,180	780,222	718,752	751,588	814,092
Cash and cash equivalents at end of period	$ 927,530	$ 897,053	$ 1,278,180	$ 780,222	$ 718,752	$ 751,588	$ 814,092	$ 725,962
Unaudited Supplemental Financial Information								
GAAP net cash provided by operating activities	$ 26,584	$ 66,594	$ 53,306	$ (658,024)	$ 59,282	$ 121,461	$ 118,846	$ 135,146
Purchases of property and equipment	(16,986)	(9,041)	(3,894)	(11,868)	(12,509)	(13,347)	(6,786)	(10,026)
Purchases of technology licenses	(2,071)	(980)	(1,579)	(4,050)	(3,995)	(394)	(1,870)	(1,093)
Payment on technology license obligations	(4,732)	(2,617)	(1,112)	(5,294)	(4,858)	(3,696)	(7,117)	(6,815)
Free cash flow	$ 2,795	$ 53,956	$ 46,721	$ (679,236)	$ 37,920	$ 104,024	$ 103,073	117,212
Free cash flow as percentage of net sales	0.4%	8.3%	7.8%	(130.8)%	6.3%	16.6%	18.0%	20.2%

Marvell Technology Group Ltd.

Unaudited Reconciliations from GAAP to Non-GAAP

(In thousands, except per share amounts)

	Q2'16	Q3'16	Q4'16	Q1'17	Q2'17	Q3'17	Q4'17	Q1'18
GAAP Net income (loss)	$ (771,940)	$ (57,750)	$ 4,200	$ (22,679)	$ 51,305	$ 72,616	$ (80,091)	$ 106,621
Loss (income) from discontinued operations	10,456	5,794	12,973	9,408	5,383	4,838	3,214	(9,651)
GAAP net income (loss) from continuing operations	(761,484)	(51,956)	17,173	(13,271)	56,688	77,454	(76,877)	96,970
(1) Cost of goods sold								
Share-based compensation	1,985	2,466	1,826	1,784	2,720	2,189	1,641	1,426
Amortization of acquired intangible assets	293	—	—	—	—	—	—	—
Other costs of goods sold	81,390	1,158	3,710	—	—	—	—	—
(2) Research and development:								
Share-based compensation	26,078	20,917	21,724	22,376	25,923	18,039	11,798	14,611
Other operating expenses	5,134	894	3,486	(49)	174	—	299	2,160
(3) Selling, general and administrative:								
Share-based compensation	6,617	6,160	6,641	(1,980)	5,517	5,787	8,966	6,330
Amortization and write-off of acquired intangible assets	2,406	2,987	2,300	2,298	2,299	2,299	1,480	1,071
Other operating expenses	9,808	2,940	3,350	1,291	(187)	—	16	144
(4) Restructuring and other exit related costs	13,000	45,555	4,396	4,441	721	1,164	98,860	1,505
(5) CMU Litigation settlement	654,667	—	—	—	—	—	—	—
(6) Provision for income taxes:								
Tax-related adjustments	7,323	1,108	—	(1,071)	—	—	67,989	72
Non-GAAP Net income from continuing operations	**$ 47,217**	**$ 32,229**	**$ 64,606**	**$ 15,819**	**$ 93,855**	**$ 106,932**	**$ 114,172**	**$ 124,289**
Non-GAAP Operating income	**$ 38,397**	**$ 29,658**	**$ 62,366**	**$ 10,045**	**$ 81,826**	**$ 117,062**	**$ 110,927**	**$ 126,135**
GAAP Weighted average shares - Diluted	516,368	504,831	508,590	508,794	514,314	522,091	507,834	517,592
Non-GAAP adjustment	16,574	13,674	9,978	13,569	12,139	9,740	20,307	5,562
Non-GAAP Weighted average shares - diluted	**532,942**	**518,505**	**518,568**	**522,363**	**526,453**	**531,831**	**528,141**	**523,154**

Marvell believes that the presentation of non-GAAP financial measures provides important supplemental information to management and investors regarding financial and business trends relating to its financial condition and results of operations. 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. Marvell has chosen to provide this information to investors to enable them to perform comparisons of operating results in a manner similar to how Marvell analyzes its operating results internally. Management also believes that these non-GAAP financial measures may be used to facilitate comparisons of Marvell's results with that of other companies in its industry.

Quarterly Revenue Trend
Total Revenue (In thousands)

$ of Total	Q1'16	Q2'16	Q3'16	Q4'16	Q1'17	Q2'17	Q3'17	Q4'17	Q1'18	FY16	FY17
Storage[1]	348,997	306,128	257,860	288,393	242,638	275,343	328,960	310,771	303,808	1,201,378	1,157,712
Networking[2]	143,784	133,657	123,351	131,206	138,343	156,614	146,752	148,090	144,815	531,998	589,799
Connectivity[3]	106,620	128,278	124,806	81,425	73,549	92,689	86,424	65,638	76,091	441,129	318,300
Core	599,401	568,063	506,017	501,024	454,530	524,646	562,136	524,499	524,714	2,174,505	2,065,811
Other[4]	110,161	119,860	143,200	101,489	64,853	76,153	63,956	46,901	54,466	474,710	251,863
Total	**709,562**	**687,923**	**649,217**	**602,513**	**519,383**	**600,799**	**626,092**	**571,400**	**579,180**	**2,649,215**	**2,317,674**

% of Total	Q1'16	Q2'16	Q3'16	Q4'16	Q1'17	Q2'17	Q3'17	Q4'17	Q1'18	FY16	FY17
Storage[1]	49%	45%	40%	48%	47%	46%	53%	54%	52%	45%	50%
Networking[2]	20%	19%	19%	22%	27%	26%	23%	26%	25%	20%	25%
Connectivity[3]	15%	19%	19%	13%	14%	15%	14%	12%	13%	17%	14%
Core	84%	83%	78%	83%	88%	87%	90%	92%	90%	82%	89%
Other[4]	16%	17%	22%	17%	12%	13%	10%	8%	10%	18%	11%
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

(1) Storage products are comprised primarily of HDD, SSD Controllers and Enterprise Storage Solutions.
(2) Networking products are comprised primarily of Ethernet Switches, Ethernet Transceivers, Embedded ARM Processors and Automotive Ethernet, as well as a few legacy product lines in which we no longer invest, but will generate a long tail of revenue for several years
(3) Connectivity products are comprised primarily of WiFi solutions including WiFi only, WiFi/Bluetooth combos and WiFi Microcontroller combos.
(4) Other products are comprised primarily of Printer Solutions, Application Processors, Communication Processors, and others.
(5) Excludes the revenue of certain non-strategic businesses that were classified as discontinued operations.