Marvell Technology Group Ltd.

Second Quarter of Fiscal Year 2021

August 27, 2020

Discussion of Non-GAAP Financial Measures

Non-GAAP financial measures exclude the effect of share-based compensation expense, amortization of the inventory fair value adjustment associated with the Aquantia and Avera acquisitions, amortization of acquired intangible assets, acquisition and divestiture-related costs, restructuring and other related charges (including, but not limited to, asset impairment charges, employee severance costs, and facilities related charges), resolution of legal matters, and certain expenses and benefits that are driven primarily by discrete events that management does not consider to be directly related to Marvell's core business.

Marvell uses a non-GAAP tax rate to compute the non-GAAP tax provision. This non-GAAP tax rate is based on Marvell's estimated annual GAAP income tax forecast, adjusted to account for items excluded from GAAP income in calculating Marvell's non-GAAP income, as well as the effects of significant non-recurring and period specific tax items which vary in size and frequency. Marvell's non-GAAP tax rate is determined on an annual basis and may be adjusted during the year to take into account events that may materially affect the non-GAAP tax rate such as tax law changes; significant changes in Marvell's geographic mix of revenue and expenses; or changes to Marvell's corporate structure. For the second quarter of fiscal 2021, a non-GAAP tax rate of 5.0% has been applied to the non-GAAP financial results.

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 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, financial measures calculated in accordance with GAAP. 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.

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Discussion of Non-GAAP Financial Measures (continued)

Externally, management believes that investors may find Marvell's non-GAAP financial measures useful in their assessment of Marvell's operating performance and the valuation of Marvell. Internally, Marvell's non-GAAP financial measures are used in the following areas:

- Management’s evaluation of Marvell’s operating performance;
- Management’s establishment of internal operating budgets;
- Management’s performance comparisons with internal forecasts and targeted business models; and
- Management’s determination of the achievement and measurement of certain performance-based equity awards (adjustments may vary from award to award).

Non-GAAP financial measures have limitations in that they do not reflect all of the costs associated with the operations of Marvell's business as determined in accordance with GAAP. As a result, you should not consider these measures in isolation or as a substitute for analysis of Marvell's results as reported under GAAP. The exclusion of the above items from our GAAP financial metrics does not necessarily mean that these costs are unusual or infrequent.

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

	November 3, 2018	February 2, 2019	May 4, 2019	August 3, 2019	November 2, 2019	February 1, 2020	May 2, 2020	August 1, 2020
Assets								
Current assets:								
Cash and cash equivalents	$ 610,261	$ 582,410	$ 571,893	$ 573,496	$ 438,369	$ 647,604	$ 667,548	$ 831,534
Accounts receivable, net	453,775	493,122	470,347	452,746	495,216	492,346	468,760	483,542
Inventories	376,210	276,005	260,981	240,421	308,299	322,980	270,374	262,875
Prepaid expenses and other current assets	49,230	43,721	39,711	37,069	43,789	74,567	72,282	54,136
Assets held for sale	30,745	—	—	597,675	600,893	—	—	—
Total current assets	1,520,221	1,395,258	1,342,932	1,901,407	1,886,566	1,537,497	1,478,964	1,632,087
Property and equipment, net	313,113	318,978	326,599	319,761	316,214	357,092	348,066	335,035
Goodwill	5,499,145	5,494,505	5,494,505	4,933,719	5,161,312	5,337,405	5,337,405	5,337,405
Acquired intangible assets, net	2,639,370	2,560,682	2,480,942	2,399,975	2,500,215	2,764,600	2,651,678	2,489,815
Deferred tax assets	18,325	12,460	11,989	9,789	14,192	639,791	639,470	645,633
Other non-current assets	241,851	234,869	391,251	416,489	424,763	496,850	525,946	486,507
Total assets	$ 10,232,025	$ 10,016,752	$10,048,218	$ 9,981,140	$ 10,303,262	$ 11,133,235	$ 10,981,529	$ 10,926,482
Liabilities and Shareholders' Equity								
Current liabilities:								
Accounts payable	$ 209,562	$ 185,362	$ 191,249	$ 211,422	$ 212,955	$ 213,747	$ 185,711	$ 238,537
Accrued liabilities	302,095	330,594	333,680	312,987	305,827	346,639	380,653	406,804
Accrued employee compensation	141,602	115,925	122,441	90,659	130,062	149,780	124,277	131,241
Short-term debt	—	—	—	—	—	—	—	448,248
Deferred income	2,947	4,915	—	—	—	—	—	—
Liabilities held for sale	—	—	—	5,604	5,610	—	—	—
Total current liabilities	656,206	636,796	647,370	620,672	654,454	710,166	690,641	1,224,830
Long-term debt	1,805,734	1,732,699	1,684,281	1,685,359	2,036,441	1,439,024	1,439,852	992,436
Other non-current liabilities	194,806	340,847	486,435	471,297	446,549	305,465	315,414	291,679
Total liabilities	2,656,746	2,710,342	2,818,086	2,777,328	3,137,444	2,454,655	2,445,907	2,508,945
Shareholders' equity:								
Common shares	1,314	1,317	1,323	1,334	1,341	1,328	1,330	1,340
Additional paid-in-capital	6,157,283	6,188,598	6,200,231	6,271,120	6,355,723	6,135,939	6,144,907	6,225,242
Accumulated other comprehensive income	—	—	—	—	37	—	868	450
Retained earnings	1,416,682	1,116,495	1,028,578	931,358	808,717	2,541,313	2,388,517	2,190,505
Total shareholders' equity	7,575,279	7,306,410	7,230,132	7,203,812	7,165,818	8,678,580	8,535,622	8,417,537
Total liabilities and shareholders' equity	$ 10,232,025	$ 10,016,752	$10,048,218	$ 9,981,140	$ 10,303,262	$ 11,133,235	$ 10,981,529	$ 10,926,482
GAAP inventory turns	5.0	6.1	4.6	5.1	4.2	5.1	5.4	5.6
GAAP days in inventory	73	60	79	71	87	71	67	65

Marvell Technology Group Ltd.

Unaudited Condensed Consolidated Statements of Operations

(In thousands, except per share amounts)

	November 3, 2018	February 2, 2019	May 4, 2019	August 3, 2019	November 2, 2019	February 1, 2020	May 2, 2020	August 1, 2020
Net revenue	$ 851,051	$ 744,799	$ 662,452	$ 656,568	$ 662,470	$ 717,671	$ 693,641	$ 727,297
Cost of goods sold	467,464	422,797	301,024	305,866	322,403	412,927	366,739	368,041
Gross profit	383,587	322,002	361,428	350,702	340,067	304,744	326,902	359,256
Operating expenses:								
Research and development	264,888	256,102	266,867	266,354	267,781	279,389	279,584	277,139
Selling, general and administrative	112,178	106,168	110,005	113,990	118,993	121,592	122,027	112,794
Restructuring related charges	27,031	12,740	5,682	16,586	14,802	18,258	21,287	120,590
Total operating expenses	404,097	375,010	382,554	396,930	401,576	419,239	422,898	510,523
Operating loss	(20,510)	(53,008)	(21,126)	(46,228)	(61,509)	(114,495)	(95,996)	(151,267)
Interest income	1,046	1,236	1,268	1,077	1,092	1,379	1,058	577
Interest expense	(22,370)	(21,953)	(21,203)	(20,531)	(21,241)	(22,656)	(16,830)	(15,635)
Other income (loss), net	(2,628)	4,377	(116)	(2,197)	689	1,124,179	3,754	(440)
Interest and other income (loss), net	(23,952)	(16,340)	(20,051)	(21,651)	(19,460)	1,102,902	(12,018)	(15,498)
Income (loss) before income taxes	(44,462)	(69,348)	(41,177)	(67,879)	(80,969)	988,407	(108,014)	(166,765)
Provision (benefit) for income taxes	9,305	191,350	7,273	(10,548)	1,532	(784,266)	5,019	(8,872)
Net income (loss)	$ (53,767)	$ (260,698)	$ (48,450)	$ (57,331)	$ (82,501)	$ 1,772,673	$ (113,033)	$ (157,893)
Net income (loss) per share - basic	$ (0.08)	$ (0.40)	$ (0.07)	$ (0.09)	$ (0.12)	$ 2.66	$ (0.17)	$ (0.24)
Net income (loss) per share - diluted	$ (0.08)	$ (0.40)	$ (0.07)	$ (0.09)	$ (0.12)	$ 2.62	$ (0.17)	$ (0.24)
Weighted average shares - basic	657,519	657,835	658,963	663,603	668,178	665,562	663,547	667,574
Weighted average shares - diluted	657,519	657,835	658,963	663,603	668,178	675,700	663,547	667,574
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	$ 2,429	$ 2,942	$ 2,926	$ 3,662	$ 3,990	$ 3,181	$ 3,538	$ 4,082
Research and development	34,960	32,658	39,477	40,492	42,997	34,088	37,815	39,678
Selling, general and administrative	12,851	14,980	16,195	19,522	20,378	15,901	18,334	18,826
Total share-based compensation	$ 50,240	$ 50,580	$ 58,598	$ 63,676	$ 67,365	$ 53,170	$ 59,687	$ 62,586

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

	November 3, 2018	February 2, 2019	May 4, 2019	August 3, 2019	November 2, 2019	February 1, 2020	May 2, 2020	August 1, 2020
Cash flows from operating activities:								
Net income (loss)	$ (53,767)	$ (260,698)	$ (48,450)	$ (57,331)	$ (82,501)	$ 1,772,673	$ (113,033)	$ (157,893)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:								
Depreciation and amortization	39,259	37,627	38,654	37,926	36,082	43,996	50,483	51,605
Share-based compensation	50,240	50,580	58,598	63,676	66,762	53,171	59,687	62,586
Amortization of acquired intangible assets	78,691	78,688	79,740	80,967	92,760	114,615	112,922	111,579
Amortization of inventory fair value adjustment associated with acquisitions	102,842	97,597	—	—	3,316	52,510	17,284	—
Amortization of deferred debt issuance costs and debt discounts	2,217	2,064	1,681	1,178	1,181	2,723	927	931
Restructuring related impairment charges (gain)	9,888	(12,081)	3,816	6,281	6,146	1,328	2,823	114,723
Other expense, net	179	344	7,080	3,586	6,495	9,287	7,701	5,351
Deferred income taxes	(6,261)	146,322	4,356	(1,982)	(10,275)	(777,257)	2,372	(2,816)
Loss (gain) on sale of business	1,592	—	—	1,009	505	(1,123,223)	—	—
Changes in assets and liabilities:								
Accounts receivable	(10,948)	(39,347)	22,775	17,601	(32,002)	2,870	23,586	(14,782)
Inventories	(5,007)	2,489	15,848	(7,174)	(39,276)	43,361	35,834	(33)
Prepaid expenses and other assets	7,630	189	8,004	(15,997)	(3,046)	(43,099)	(6,694)	3,679
Accounts payable	22,531	(28,753)	(1,873)	24,370	8,304	(29,143)	(3,557)	33,204
Accrued liabilities and other non-current liabilities	39,691	57,297	(30,929)	(49,188)	(26,141)	(76,635)	10,796	10,732
Accrued employee compensation	20,617	(25,677)	6,516	(31,782)	37,193	8,661	(25,503)	6,964
Net cash provided by operating activities	299,394	106,641	165,816	73,140	65,503	55,838	175,628	225,830
Cash flows from investing activities:								
Sales of available-for-sale securities	—	—	—	—	18,832	—	—	—
Maturities of time deposits	25,000	—	—	—	—	—	—	—
Purchases of technology licenses	(9,918)	(359)	(1,484)	(38)	(414)	(2,776)	(3,684)	(3,080)
Purchases of property and equipment	(12,646)	(28,886)	(19,183)	(23,010)	(20,742)	(18,986)	(35,343)	(17,540)
Proceeds from sales of property and equipment	595	42,707	216	231	84	89	365	34
Cash payment for acquisition, net of cash and cash equivalents acquired	—	—	—	—	(477,579)	(593,500)	—	—
Net proceeds (payments) from sale of business	(4,602)	—	—	(390)	(662)	1,699,835	—	—
Other, net	—	2,275	(558)	112	(826)	(405)	300	—
Net cash provided by (used in) investing activities	(1,571)	15,737	(21,009)	(23,095)	(481,307)	1,084,257	(38,362)	(20,586)

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

Cash flows from financing activities:								
Repurchases of common stock	(53,969)	(50,005)	(48,022)	(16,250)	—	(300,000)	(25,202)	—
Proceeds from employee stock plans	16,192	40,189	31,084	50,230	21,795	44,167	5,458	42,776
Tax withholding paid on behalf of employees for net share settlement	(8,915)	(9,248)	(28,758)	(32,884)	(19,220)	(17,440)	(31,501)	(25,213)
Dividend payment to shareholders	(39,411)	(39,489)	(39,467)	(39,889)	(40,140)	(40,077)	(39,763)	(40,119)
Payments on technology license obligations	(23,003)	(16,676)	(15,268)	(13,056)	(28,889)	(15,053)	(23,807)	(18,702)
Proceeds from issuance of debt	—	—	—	—	350,000	600,000	—	—
Principal payments of debt	(75,000)	(75,000)	(50,000)	—	—	(1,200,000)	—	—
Payment of equity and debt financing costs	(2,115)	—	—	—	—	—	—	—
Other, net	—	—	(4,893)	3,407	(2,869)	(2,457)	(2,507)	—
Net cash provided by (used in) financing activities	(186,221)	(150,229)	(155,324)	(48,442)	280,677	(930,860)	(117,322)	(41,258)
Net increase (decrease) in cash and cash equivalents	111,602	(27,851)	(10,517)	1,603	(135,127)	209,235	19,944	163,986
Cash and cash equivalents at beginning of period	498,659	610,261	582,410	571,893	573,496	438,369	647,604	667,548
Cash and cash equivalents at end of period	$ 610,261	$ 582,410	$ 571,893	$ 573,496	$ 438,369	$ 647,604	$ 667,548	$ 831,534

Marvell Technology Group Ltd.
Unaudited Reconciliations from GAAP to Non-GAAP
(In thousands)

	November 3, 2018	February 2, 2019	May 4, 2019	August 3, 2019	November 2, 2019	February 1, 2020	May 2, 2020	August 1, 2020
GAAP Net income (loss)	$ (53,767)	$ (260,698)	$ (48,450)	$ (57,331)	$ (82,501)	$ 1,772,673	$ (113,033)	$ (157,893)
(1) Cost of goods sold								
Share-based compensation	2,429	2,942	2,926	3,662	3,990	3,181	3,538	4,082
Amortization of acquired intangible assets	57,594	57,591	59,906	61,132	72,146	86,383	86,567	85,225
Other costs of goods sold	105,841	97,598	450	—	4,758	52,510	18,562	11,630
(2) Research and development								
Share-based compensation	34,960	32,658	39,477	40,492	42,997	34,088	37,815	39,678
Other operating expenses	455	220	12	5,042	668	1,203	2,418	824
(3) Selling, general and administrative								
Share-based compensation	12,851	14,980	16,195	19,522	20,378	15,901	18,334	18,826
Amortization of acquired intangible assets	21,098	21,097	19,834	19,835	20,614	28,232	26,355	26,354
Other operating expenses	10,767	7,172	6,557	15,634	18,827	15,418	16,985	7,301
(4) Restructuring and other exit related costs in Operating Expense	27,031	12,740	5,682	16,586	14,802	18,258	21,287	120,590
(5) Interest and other (income) loss, net								
Restructuring and other related items	1,491	157	(338)	75	(946)	(1,122,988)	434	—
Write-off of debt issuance costs	850	782	458	—	—	1,621	—	—
Gain on sale of intellectual property	—	(3,500)	—	—	—	—	—	—
Deal costs	—	—	—	1,009	496	—	—	—
(6) Provision for income taxes:								
Tax-related adjustments	55	184,348	2,324	(15,728)	(3,773)	(789,761)	(1,229)	(16,226)
Non-GAAP Net income	**$ 221,655**	**$ 168,087**	**$ 105,033**	**$ 109,930**	**$ 112,456**	**$ 116,719**	**$ 118,033**	**$ 140,391**
Non-GAAP Operating income	**$ 252,516**	**$ 193,990**	**$ 129,913**	**$ 135,677**	**$ 137,671**	**$ 140,679**	**$ 135,865**	**$ 163,243**

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

(in thousands)

	Q3 2019 Nov 03, 2018	Q4 2019 Feb 02, 2019	Q1 2020 May 04, 2019	Q2 2020 Aug 03, 2019	Q3 2020 Nov 02, 2019	Q4 2020 Feb 01, 2020	Q1 2021 May 02, 2020	Q2 2021 Aug 01, 2020
Networking[1]	$ 398,424	$ 387,457	$ 341,344	$ 329,605	$ 329,962	$ 376,724	$ 393,920	$ 406,008
Storage[2]	406,822	317,042	278,667	274,905	287,708	296,486	258,688	290,495
Total Core	805,246	704,499	620,011	604,510	617,670	673,210	652,608	696,503
Other[3]	45,805	40,300	42,441	52,058	44,800	44,461	41,033	30,794
Total Revenue	**$ 851,051**	**$ 744,799**	**$ 662,452**	**$ 656,568**	**$ 662,470**	**$ 717,671**	**$ 693,641**	**$ 727,297**

% of Total	Q3 2019 Nov 03, 2018	Q4 2019 Feb 02, 2019	Q1 2020 May 04, 2019	Q2 2020 Aug 03, 2019	Q3 2020 Nov 02, 2019	Q4 2020 Feb 01, 2020	Q1 2021 May 02, 2020	Q2 2021 Aug 01, 2020
Networking[1]	47%	52%	52%	50%	50%	52%	57%	56%
Storage[2]	48%	43%	42%	42%	43%	41%	37%	40%
Total Core	95%	95%	94%	92%	93%	93%	94%	96%
Other[3]	5%	5%	6%	8%	7%	7%	6%	4%
Total Revenue	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

(1) Networking products are comprised primarily of Ethernet Solutions, Embedded Processors and Custom ASICs.
(2) Storage products are comprised primarily of Storage Controllers and Fibre Channel Adapters.
(3) Other products are comprised primarily of Printer Solutions.

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