Marvell Technology Group Ltd.

Third Quarter of Fiscal Year 2021

December 3, 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 third 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)

	February 2, 2019	May 4, 2019	August 3, 2019	November 2, 2019	February 1, 2020	May 2, 2020	August 1, 2020	October 31, 2020
Assets								
Current assets:								
Cash and cash equivalents	$ 582,410	$ 571,893	$ 573,496	$ 438,369	$ 647,604	$ 667,548	$ 831,534	$ 832,041
Accounts receivable, net	493,122	470,347	452,746	495,216	492,346	468,760	483,542	490,271
Inventories	276,005	260,981	240,421	308,299	322,980	270,374	262,875	268,396
Prepaid expenses and other current assets	43,721	39,711	37,069	43,789	74,567	72,282	54,136	68,618
Assets held for sale	—	—	597,675	600,893	—	—	—	—
Total current assets	1,395,258	1,342,932	1,901,407	1,886,566	1,537,497	1,478,964	1,632,087	1,659,326
Property and equipment, net	318,978	326,599	319,761	316,214	357,092	348,066	335,035	331,769
Goodwill	5,494,505	5,494,505	4,933,719	5,161,312	5,337,405	5,337,405	5,337,405	5,336,356
Acquired intangible assets, net	2,560,682	2,480,942	2,399,975	2,500,215	2,764,600	2,651,678	2,489,815	2,380,382
Deferred tax assets	12,460	11,989	9,789	14,192	639,791	639,470	645,633	646,837
Other non-current assets	234,869	391,251	416,489	424,763	496,850	525,946	486,507	470,102
Total assets	$ 10,016,752	$10,048,218	$ 9,981,140	$ 10,303,262	$ 11,133,235	$ 10,981,529	$ 10,926,482	$ 10,824,772
Liabilities and Shareholders' Equity								
Current liabilities:								
Accounts payable	$ 185,362	$ 191,249	$ 211,422	$ 212,955	$ 213,747	$ 185,711	$ 238,537	$ 224,112
Accrued liabilities	330,594	333,680	312,987	305,827	346,639	380,653	406,804	406,986
Accrued employee compensation	115,925	122,441	90,659	130,062	149,780	124,277	131,241	187,982
Short-term debt	—	—	—	—	—	—	448,248	349,004
Deferred income	4,915	—	—	—	—	—	—	—
Liabilities held for sale	—	—	5,604	5,610	—	—	—	—
Total current liabilities	636,796	647,370	620,672	654,454	710,166	690,641	1,224,830	1,168,084
Long-term debt	1,732,699	1,684,281	1,685,359	2,036,441	1,439,024	1,439,852	992,436	992,801
Other non-current liabilities	340,847	486,435	471,297	446,549	305,465	315,414	291,679	274,270
Total liabilities	2,710,342	2,818,086	2,777,328	3,137,444	2,454,655	2,445,907	2,508,945	2,435,155
Shareholders' equity:								
Common shares	1,317	1,323	1,334	1,341	1,328	1,330	1,340	1,343
Additional paid-in-capital	6,188,598	6,200,231	6,271,120	6,355,723	6,135,939	6,144,907	6,225,242	6,260,906
Accumulated other comprehensive income	—	—	—	37	—	868	450	—
Retained earnings	1,116,495	1,028,578	931,358	808,717	2,541,313	2,388,517	2,190,505	2,127,368
Total shareholders' equity	7,306,410	7,230,132	7,203,812	7,165,818	8,678,580	8,535,622	8,417,537	8,389,617
Total liabilities and shareholders' equity	$ 10,016,752	$10,048,218	$ 9,981,140	$ 10,303,262	$ 11,133,235	$ 10,981,529	$ 10,926,482	$ 10,824,772
GAAP inventory turns	6.1	4.6	5.1	4.2	5.1	5.4	5.6	5.5
GAAP days in inventory	60	79	71	87	71	67	65	66

Marvell Technology Group Ltd.

Unaudited Condensed Consolidated Statements of Operations

(In thousands, except per share amounts)

	February 2, 2019	May 4, 2019	August 3, 2019	November 2, 2019	February 1, 2020	May 2, 2020	August 1, 2020	October 31, 2020
Net revenue	$ 744,799	$ 662,452	$ 656,568	$ 662,470	$ 717,671	$ 693,641	$ 727,297	$ 750,143
Cost of goods sold	422,797	301,024	305,866	322,403	412,927	366,739	368,041	369,083
Gross profit	322,002	361,428	350,702	340,067	304,744	326,902	359,256	381,060
Operating expenses:								
Research and development	256,102	266,867	266,354	267,781	279,389	279,584	277,139	255,637
Selling, general and administrative	106,168	110,005	113,990	118,993	121,592	122,027	112,794	115,501
Restructuring related charges	12,740	5,682	16,586	14,802	18,258	21,287	120,590	19,312
Total operating expenses	375,010	382,554	396,930	401,576	419,239	422,898	510,523	390,450
Operating loss	(53,008)	(21,126)	(46,228)	(61,509)	(114,495)	(95,996)	(151,267)	(9,390)
Interest income	1,236	1,268	1,077	1,092	1,379	1,058	577	608
Interest expense	(21,953)	(21,203)	(20,531)	(21,241)	(22,656)	(16,830)	(15,635)	(16,066)
Other income (loss), net	4,377	(116)	(2,197)	689	1,124,179	3,754	(440)	299
Interest and other income (loss), net	(16,340)	(20,051)	(21,651)	(19,460)	1,102,902	(12,018)	(15,498)	(15,159)
Income (loss) before income taxes	(69,348)	(41,177)	(67,879)	(80,969)	988,407	(108,014)	(166,765)	(24,549)
Provision (benefit) for income taxes	191,350	7,273	(10,548)	1,532	(784,266)	5,019	(8,872)	(1,641)
Net income (loss)	$ (260,698)	$ (48,450)	$ (57,331)	$ (82,501)	$ 1,772,673	$ (113,033)	$ (157,893)	$ (22,908)
Net income (loss) per share - basic	$ (0.40)	$ (0.07)	$ (0.09)	$ (0.12)	$ 2.66	$ (0.17)	$ (0.24)	$ (0.03)
Net income (loss) per share - diluted	$ (0.40)	$ (0.07)	$ (0.09)	$ (0.12)	$ 2.62	$ (0.17)	$ (0.24)	$ (0.03)
Weighted average shares - basic	657,835	658,963	663,603	668,178	665,562	663,547	667,574	670,487
Weighted average shares - diluted	657,835	658,963	663,603	668,178	675,700	663,547	667,574	670,487
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	$ 2,942	$ 2,926	$ 3,662	$ 3,990	$ 3,181	$ 3,538	$ 4,082	$ 4,435
Research and development	32,658	39,477	40,492	42,997	34,088	37,815	39,678	36,856
Selling, general and administrative	14,980	16,195	19,522	20,378	15,901	18,334	18,826	18,496
Total share-based compensation	$ 50,580	$ 58,598	$ 63,676	$ 67,365	$ 53,170	$ 59,687	$ 62,586	$ 59,787

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

	February 2, 2019	May 4, 2019	August 3, 2019	November 2, 2019	February 1, 2020	May 2, 2020	August 1, 2020	October 31, 2020
Cash flows from operating activities:								
Net income (loss)	$ (260,698)	$ (48,450)	$ (57,331)	$ (82,501)	$ 1,772,673	$ (113,033)	$ (157,893)	$ (22,908)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:								
Depreciation and amortization	37,627	38,654	37,926	36,082	43,996	50,483	51,605	47,834
Share-based compensation	50,580	58,598	63,676	66,762	53,171	59,687	62,586	59,787
Amortization of acquired intangible assets	78,688	79,740	80,967	92,760	114,615	112,922	111,579	109,433
Amortization of inventory fair value adjustment associated with acquisitions	97,597	—	—	3,316	52,510	17,284	—	—
Amortization of deferred debt issuance costs and debt discounts	2,064	1,681	1,178	1,181	2,723	927	931	1,359
Restructuring related impairment charges (gain)	(12,081)	3,816	6,281	6,146	1,328	2,823	114,723	6,013
Other expense, net	344	7,080	3,586	6,495	9,287	7,701	5,351	6,396
Deferred income taxes	146,322	4,356	(1,982)	(10,275)	(777,257)	2,372	(2,816)	859
Loss (gain) on sale of business	—	—	1,009	505	(1,123,223)	—	—	—
Changes in assets and liabilities:								
Accounts receivable	(39,347)	22,775	17,601	(32,002)	2,870	23,586	(14,782)	(6,729)
Inventories	2,489	15,848	(7,174)	(39,276)	43,361	35,834	(33)	(5,984)
Prepaid expenses and other assets	189	8,004	(15,997)	(3,046)	(43,099)	(6,694)	3,679	(5,677)
Accounts payable	(28,753)	(1,873)	24,370	8,304	(29,143)	(3,557)	33,204	5,121
Accrued liabilities and other non-current liabilities	57,297	(30,929)	(49,188)	(26,141)	(76,635)	10,796	10,732	5,289
Accrued employee compensation	(25,677)	6,516	(31,782)	37,193	8,661	(25,503)	6,964	56,741
Net cash provided by operating activities	106,641	165,816	73,140	65,503	55,838	175,628	225,830	257,534
Cash flows from investing activities:								
Sales of available-for-sale securities	—	—	—	18,832	—	—	—	—
Purchases of technology licenses	(359)	(1,484)	(38)	(414)	(2,776)	(3,684)	(3,080)	(1,712)
Purchases of property and equipment	(28,886)	(19,183)	(23,010)	(20,742)	(18,986)	(35,343)	(17,540)	(35,359)
Proceeds from sales of property and equipment	42,707	216	231	84	89	365	34	133
Cash payment for acquisition, net of cash and cash equivalents acquired	—	—	—	(477,579)	(593,500)	—	—	—
Net proceeds (payments) from sale of business	—	—	(390)	(662)	1,699,835	—	—	—
Other, net	2,275	(558)	112	(826)	(405)	300	—	(609)
Net cash provided by (used in) investing activities	15,737	(21,009)	(23,095)	(481,307)	1,084,257	(38,362)	(20,586)	(37,547)

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

	February 2, 2019	May 4, 2019	August 3, 2019	November 2, 2019	February 1, 2020	May 2, 2020	August 1, 2020	October 31, 2020
Cash flows from financing activities:								
Repurchases of common stock	(50,005)	(48,022)	(16,250)	—	(300,000)	(25,202)	—	—
Proceeds from employee stock plans	40,189	31,084	50,230	21,795	44,167	5,458	42,776	2,256
Tax withholding paid on behalf of employees for net share settlement	(9,248)	(28,758)	(32,884)	(19,220)	(17,440)	(31,501)	(25,213)	(25,912)
Dividend payment to shareholders	(39,489)	(39,467)	(39,889)	(40,140)	(40,077)	(39,763)	(40,119)	(40,229)
Payments on technology license obligations	(16,676)	(15,268)	(13,056)	(28,889)	(15,053)	(23,807)	(18,702)	(34,285)
Proceeds from issuance of debt	—	—	—	350,000	600,000	—	—	—
Principal payments of debt	(75,000)	(50,000)	—	—	(1,200,000)	—	—	(100,000)
Payment of equity and debt financing costs	—	—	—	—	—	—	—	(22,313)
Other, net	—	(4,893)	3,407	(2,869)	(2,457)	(2,507)	—	1,003
Net cash provided by (used in) financing activities	(150,229)	(155,324)	(48,442)	280,677	(930,860)	(117,322)	(41,258)	(219,480)
Net increase (decrease) in cash and cash equivalents	(27,851)	(10,517)	1,603	(135,127)	209,235	19,944	163,986	507
Cash and cash equivalents at beginning of period	610,261	582,410	571,893	573,496	438,369	647,604	667,548	831,534
Cash and cash equivalents at end of period	$ 582,410	$ 571,893	$ 573,496	$ 438,369	$ 647,604	$ 667,548	$ 831,534	$ 832,041

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

	February 2, 2019	May 4, 2019	August 3, 2019	November 2, 2019	February 1, 2020	May 2, 2020	August 1, 2020	October 31, 2020
GAAP Net income (loss)	$ (260,698)	$ (48,450)	$ (57,331)	$ (82,501)	$ 1,772,673	$ (113,033)	$ (157,893)	$ (22,908)
(1) Cost of goods sold								
Share-based compensation	2,942	2,926	3,662	3,990	3,181	3,538	4,082	4,435
Amortization of acquired intangible assets	57,591	59,906	61,132	72,146	86,383	86,567	85,225	83,078
Other costs of goods sold	97,598	450	—	4,758	52,510	18,562	11,630	4,296
(2) Research and development								
Share-based compensation	32,658	39,477	40,492	42,997	34,088	37,815	39,678	36,856
Other operating expenses	220	12	5,042	668	1,203	2,418	824	501
(3) Selling, general and administrative								
Share-based compensation	14,980	16,195	19,522	20,378	15,901	18,334	18,826	18,496
Amortization of acquired intangible assets	21,097	19,834	19,835	20,614	28,232	26,355	26,354	26,355
Other operating expenses	7,172	6,557	15,634	18,827	15,418	16,985	7,301	8,989
(4) Restructuring and other exit related costs in Operating Expense	12,740	5,682	16,586	14,802	18,258	21,287	120,590	19,312
(5) Interest and other (income) loss, net								
Restructuring and other related items	157	(338)	75	(946)	(1,122,988)	434	—	(1,002)
Write-off of debt issuance costs	782	458	—	—	1,621	—	—	453
Gain on sale of intellectual property	(3,500)	—	—	—	—	—	—	—
Deal costs	—	—	1,009	496	—	—	—	—
(6) Provision for income taxes:								
Tax-related adjustments	184,348	2,324	(15,728)	(3,773)	(789,761)	(1,229)	(16,226)	(10,502)
Non-GAAP Net income	**$ 168,087**	**$ 105,033**	**$ 109,930**	**$ 112,456**	**$ 116,719**	**$ 118,033**	**$ 140,391**	**$ 168,359**
Non-GAAP Operating income	**$ 193,990**	**$ 129,913**	**$ 135,677**	**$ 137,671**	**$ 140,679**	**$ 135,865**	**$ 163,243**	**$ 192,928**

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)

	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	Q3 2021 Oct 31, 2020
Networking[1]	$ 387,457	$ 341,344	$ 329,605	$ 329,962	$ 376,724	$ 393,920	$ 406,008	$ 444,756
Storage[2]	317,042	278,667	274,905	287,708	296,486	258,688	290,495	276,279
Total Core	704,499	620,011	604,510	617,670	673,210	652,608	696,503	721,035
Other[3]	40,300	42,441	52,058	44,800	44,461	41,033	30,794	29,108
Total Revenue	**$ 744,799**	**$ 662,452**	**$ 656,568**	**$ 662,470**	**$ 717,671**	**$ 693,641**	**$ 727,297**	**$ 750,143**

% of Total	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	Q3 2021 Oct 31, 2020
Networking[1]	52%	52%	50%	50%	52%	57%	56%	59%
Storage[2]	43%	42%	42%	43%	41%	37%	40%	37%
Total Core	95%	94%	92%	93%	93%	94%	96%	96%
Other[3]	5%	6%	8%	7%	7%	6%	4%	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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