

Marvell Technology Group

Investor Relations

FQ2' 2013 Earnings Update



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Safe Harbor: Forward-Looking Statements

All statements included in these slides, other than statements or characterizations of historical fact, are forward-looking statements within the meaning of the federal securities laws, including the Private Securities Litigation Reform Act of 1995. These forward-looking statements include, among others, guidance regarding our future financial performance including revenue, gross margin, R&D expense, SG&A expense, other income/expense, tax expense and EPS for the third quarter of fiscal 2013; payment and timing of a quarterly dividend; and expectations in each of the end markets we serve (Mobile & Wireless; Storage; and Networking). These forward-looking 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 these slides due to a number of risks and uncertainties including, among others, our reliance on a few customers for a significant portion of its revenue; our ability to develop and introduce new and enhanced products in a timely and cost effective manner; uncertainty in the worldwide economic environment; seasonality in sales of consumer devices in which our products are incorporated; our ability to compete in products and prices in an intensely competitive industry; our ability to recruit and retain skilled personnel; ability to generate cash flows; substantial costs of current and any future litigation; and other risks detailed in our SEC filings from time to time. For other factors that could cause our results to vary from expectations, we refer you to our Form 10-Q for the quarter ended April 28, 2012 and subsequent filings with the SEC, which discuss some of the important risk factors that could contribute to such differences or otherwise affect our business, results of operations and financial condition. We undertake no obligation to revise or update publicly any forward-looking statement to reflect future events or circumstances.

We intend to pay a regular quarterly cash dividend on our common shares subject to, among other things, the best interests of its shareholders, Marvell's results of operations, cash balances and future cash requirements, financial condition, statutory requirements of Bermuda law, and other factors that the board of directors may deem relevant.

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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 stock-based compensation, amortization of acquired intangible assets, acquisition-related costs, restructuring costs, and certain one-time expenses or benefits. We believe that the presentation of non-GAAP financial measures provide 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.

FQ2' 2013 Financial Results

Key Highlights from FQ2' 2013 Results

Revenue

- Revenue of \$816m an increase of +2% sequentially
- +30% sequential increase in 500GB per platter volume
- ~25% sequential growth in SSD controllers
- +25% sequential growth in new networking products

Non-GAAP EPS & Profitability

- EPS: \$0.24
- Gross margin: 53.6%
- Operating margin: 17.1%
- FCF margin: 21.3%

Delivering Shareholder value

- Share repurchases: 20 million shares
- First quarterly payment of \$34 million in dividends or 6 cents per share

Source: Marvell

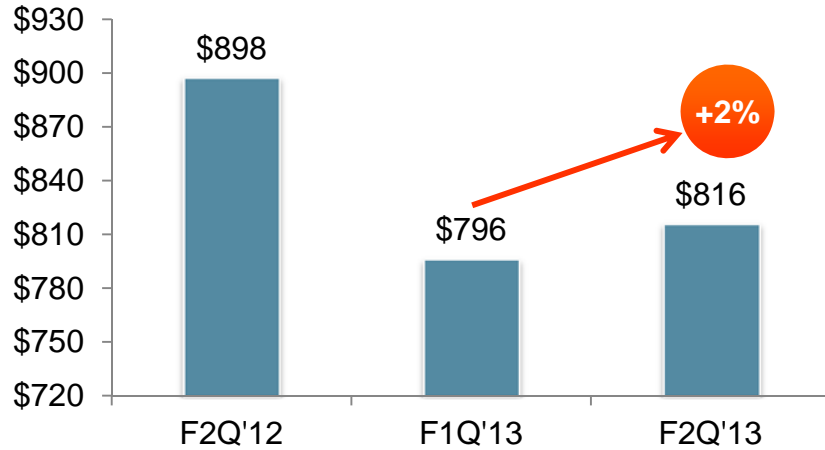
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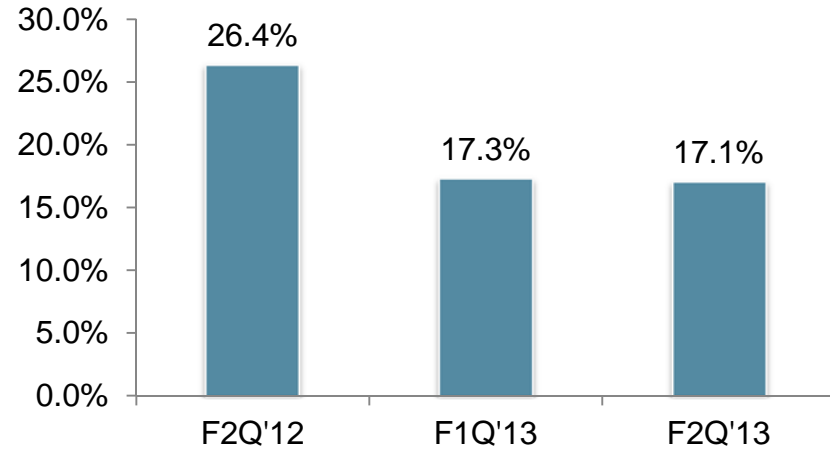
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FQ2' 2013 Financial Summary

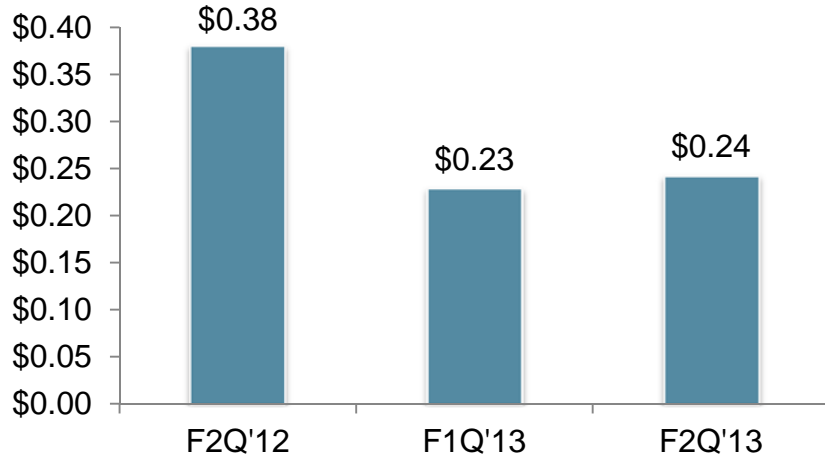
Revenue (\$M)



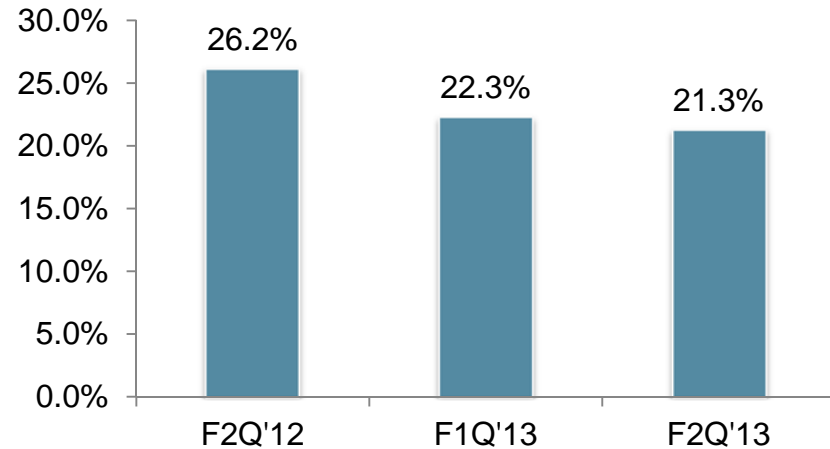
Non-GAAP Operating Margin (%)



Non-GAAP EPS (\$)

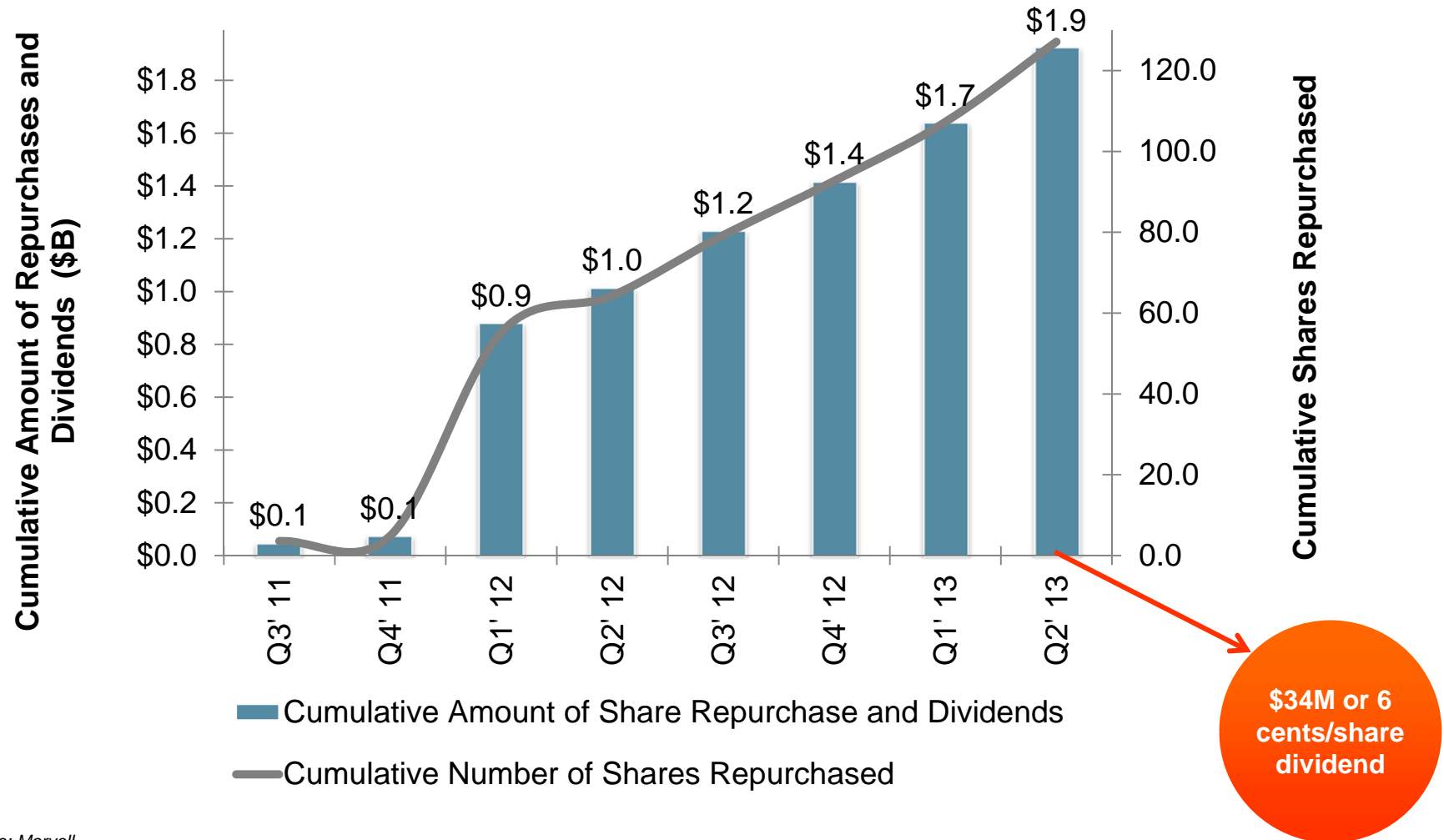


FCF Margin (%)



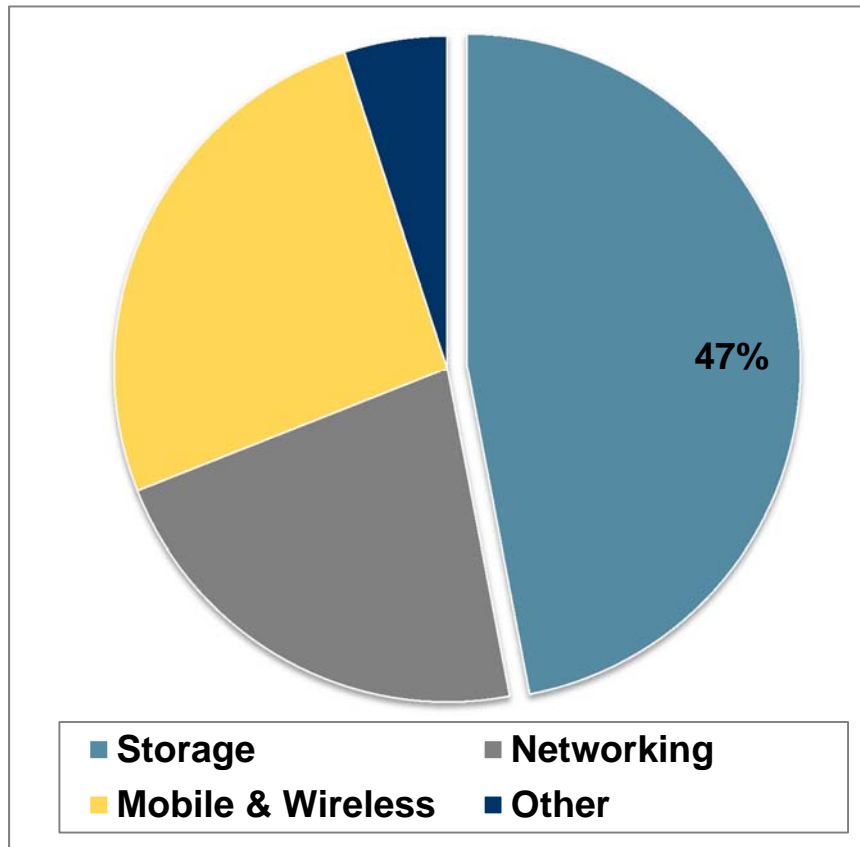
Source: Marvell

Return of Capital



Source: Marvell

End Markets: Storage



Source: Marvell

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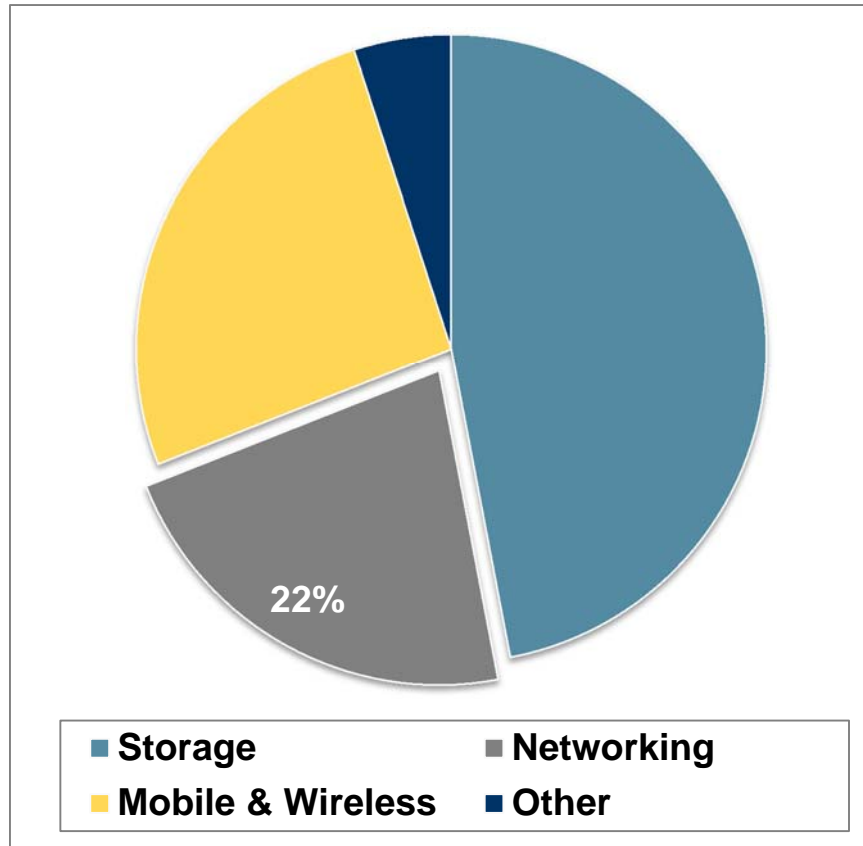
FQ2 Highlights

- 47% of overall revenue and +7% sequential increase
- Results below initial expectations due to macro/PC demand slow down
- Over +30% sequential increase in next generation 500G per platter volumes
- New customer ramp in mobile beginning to show results
- SSD controller revenue better than initial expectations with roughly ~25% sequential growth

FQ3 Expectations

- Revenue increase of low single digit percentage sequentially – assumes couple points of share gain on flat HDD TAM
- Another quarter of significant sequential growth in 500GB per platter volumes
- Over +25% sequential growth in SSD revenue

End Markets: Networking



Source: Marvell

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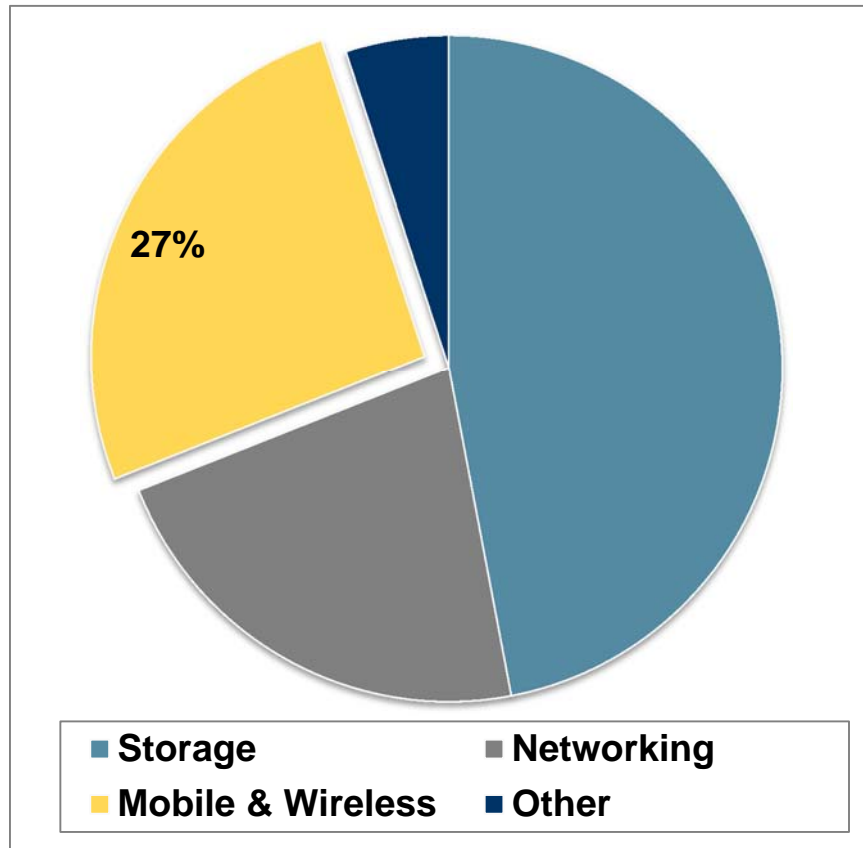
FQ2 Highlights

- 22% of overall revenue and an increase of +4% sequentially
- Results better than aggregate networking end market
- New products including PON growth of over +25% sequentially
- First merchant solution for ARM-based server introduced by Dell and Mitac powered by Armada-XP
- Excellent traction in Network Processors

FQ3 Expectations

- Revenue increase of low single digit percentage sequentially
- Continued growth in new products such as PON and advanced network processing

End Markets: Mobile & Wireless



Source: Marvell

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FQ2 Highlights

- 27% of overall revenue and a decline of -5% sequentially
- Revenue lower due to demand slow down at North American customer, and China
- Announced new TD and WCDMA platform products
- First volume shipments of Google TV-based ARMADA 1500 to Sony and Vizio

FQ3 Expectations

- Revenue decrease of mid single digit percentage sequentially
- Continued demand weakness from North American and China based smartphone customers
- Positive seasonality for connectivity

FQ3' 2013 Financial Guidance

FQ3' 2013 Guidance

	FQ3' 2013 Guidance
Revenue	\$800 to \$850 million
Non-GAAP Gross Margin	53.5% +/- 50 bps
Non-GAAP Operating Expense	\$300 million +/- \$5 million
Non-GAAP R&D Expense	\$245 million
Non-GAAP SG&A Expense	\$55 million
Other Income / (Expense)	\$2 million
Non-GAAP Tax Expense	\$2 million
Non-GAAP EPS	\$0.24 +/- \$0.02
GAAP EPS	\$0.16 +/- \$0.02

Source: Marvell

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Financial Statements

Unaudited Statement of Operations

(In thousands, except per share amounts)

	Q3'11	Q4'11	Q1'12	Q2'12	Q3'12	Q4'12	Q1'13	Q2'13
Net revenue	\$ 959,327	\$ 900,513	\$ 802,402	\$ 897,520	\$ 950,417	\$ 742,701	\$ 796,351	\$ 816,104
Cost of goods sold	390,808	371,799	334,475	378,117	412,100	341,113	366,322	381,839
Gross profit	568,519	528,714	467,927	519,403	538,317	401,588	430,029	434,265
Operating expenses:								
Research and development	218,420	231,836	242,537	249,604	266,255	255,282	255,970	264,175
Selling and marketing	39,751	40,444	38,152	40,390	40,500	40,392	40,066	41,034
General and administrative	29,576	26,706	24,784	23,631	29,021	23,184	25,705	25,718
Amortization of acquired intangible assets	21,770	14,005	14,341	11,138	11,155	12,723	14,355	13,023
Total operating expenses	309,517	312,991	319,814	324,763	346,931	331,581	336,096	343,950
Operating income	259,002	215,723	148,113	194,640	191,386	70,007	93,933	90,315
Interest and other income (expense), net	(1,665)	10,475	(218)	2,064	7,729	5,338	1,057	5,864
Income before income taxes	257,337	226,198	147,895	196,704	199,115	75,345	94,990	96,179
Provision (benefit) for income taxes	1,605	3,345	1,034	4,312	3,994	(5,372)	447	3,105
Net income	\$ 255,732	\$ 222,853	\$ 146,861	\$ 192,392	\$ 195,121	\$ 80,717	\$ 94,543	\$ 93,074
Net income per share - basic	0.39	0.34	0.23	0.32	0.32	0.14	0.16	0.17
Net income per share - diluted	0.38	0.33	0.22	0.31	0.32	0.13	0.16	0.16
Weighted average shares — basic	649,782	654,650	638,946	608,511	600,504	583,466	580,024	562,362
Weighted average shares — diluted	674,789	679,445	657,140	623,132	613,499	599,300	594,739	570,325

The following table presents details of total stock-based compensation expense included in each functional line item in the unaudited condensed consolidated statements of income above:

Cost of goods sold	1,818	1,776	1,695	1,916	1,940	1,444	2,123	1,775
Research and development	19,795	21,789	19,593	22,128	21,905	22,298	17,174	22,413
Selling and marketing	3,208	2,991	2,654	3,207	3,402	3,657	3,036	3,458
General and administrative	4,720	4,723	3,538	3,104	3,364	4,018	4,859	5,582

Source: Marvell

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Unaudited Statement of Cash Flows

(In thousands)

	Q3'11	Q4'11	Q1'12	Q2'12	Q3'12	Q4'12	Q1'13	Q2'13
Cash flows from operating activities:								
Net income	\$ 255,732	\$ 222,853	\$ 146,861	\$ 192,392	\$ 195,121	\$ 80,717	\$ 94,543	\$ 93,074
Adjustments to reconcile net income to net cash provided by operating activities:								
Depreciation and amortization	23,140	24,199	24,037	22,437	20,179	21,801	21,199	21,285
Stock-based compensation	29,541	31,279	27,480	30,355	30,611	31,416	27,192	33,228
Amortization of acquired intangible assets	21,770	14,005	14,341	11,138	11,155	12,723	14,355	13,023
Other (income) expense, net	4,756	(1,987)	3,854	3,291	4,266	3,779	2,903	2,272
Excess tax benefits from stock-based compensation	(440)	(230)	(3)	(11)	(85)	(65)	(41)	(3)
Changes in assets and liabilities:								
Accounts receivable	22,780	8,569	33,938	19,711	(45,351)	46,252	(10,119)	26,610
Inventories	11,539	(17,120)	(53,107)	(22,897)	12,037	(37,142)	201	7,832
Prepaid expenses and other assets	(15,201)	64,553	644	16,794	16,791	(6,738)	4,242	11,393
Accounts payable	(34,508)	(21,471)	(5,295)	12,294	(2,806)	(51,288)	21,249	6,288
Accrued liabilities and other	13,515	(56,007)	(5,450)	5,359	(17,939)	(3,583)	18,143	(4,204)
Accrued employee compensation	33,065	(5,755)	(14,880)	(14,387)	36,191	(19,489)	(648)	(24,033)
Deferred income	2,197	(12,055)	4,729	(13,063)	1,417	(9,285)	5,454	2,427
Net cash provided by operating activities	367,886	250,833	177,149	263,413	261,587	69,098	198,673	189,192
Cash flows from investing activities:								
Purchases of marketable securities	(312,890)	(240,817)	(677,179)	(462,705)	(443,008)	(268,804)	(421,652)	(225,255)
Purchases of strategic investments	-	-	(1,750)	(503)	(1,250)	(500)	(5,000)	(750)
Sales and maturities of investments	330,993	190,021	272,547	408,522	402,145	378,950	558,777	322,532
Cash paid for acquisitions, net	-	(8,767)	(16,330)	(430)	(2,000)	(75,156)	-	-
Proceeds from sales of equity investments	-	9,192	-	-	-	-	-	-
Purchases of technology licenses	(5,830)	(10,495)	(3,290)	(3,325)	(2,978)	(4,230)	(2,045)	(4,407)
Purchases of property and equipment	(23,969)	(26,906)	(17,018)	(25,227)	(20,085)	(26,449)	(18,904)	(10,830)
Net cash (used in) provided by investing activities	(11,696)	(87,772)	(443,020)	(83,668)	(67,176)	3,811	111,176	81,290
Cash flows from financing activities:								
Repurchase of common stock	(60,594)	(26,892)	(803,501)	(135,740)	(215,155)	(186,480)	(223,157)	(250,327)
Proceeds from employee stock plans for net share settlement	17,427	74,465	9,841	36,782	8,942	50,474	17,803	39,526
Dividend payment to shareholder	(231)	(6,184)	(4,634)	(234)	(304)	(3,010)	(8,879)	(598)
Principal payments on capital lease obligations	-	-	-	-	-	-	-	(33,537)
Excess tax benefits from stock-based compensation	(490)	(500)	(511)	-	-	-	-	-
Net cash (used in) provided by financing activities	440	230	3	11	85	65	41	3
Net increase (decrease) in cash and cash equivalents	(43,448)	41,119	(798,802)	(99,181)	(206,432)	(138,951)	(214,192)	(244,933)
Cash and cash equivalents at beginning of period	312,742	204,180	(1,064,673)	80,564	(12,021)	(66,042)	95,657	25,549
Cash and cash equivalents at end of period	1,330,152	1,642,894	1,847,074	782,401	862,965	850,944	784,902	880,559
	\$ 1,642,894	\$ 1,847,074	\$ 782,401	\$ 862,965	\$ 850,944	\$ 784,902	\$ 880,559	\$ 906,108
Unaudited Supplemental Financial Information								
GAAP net cash provided by operating activities	\$ 367,886	\$ 250,833	\$ 177,149	\$ 263,413	\$ 261,587	\$ 69,098	\$ 198,673	\$ 189,192
Purchases of technology licenses	(5,830)	(10,495)	(3,290)	(3,325)	(2,978)	(4,230)	(2,045)	(4,407)
Purchases of property and equipment	(23,969)	(26,906)	(17,018)	(25,227)	(20,085)	(26,449)	(18,904)	(10,830)
Free cash flow	\$ 338,087	\$ 213,432	\$ 156,841	\$ 234,861	\$ 238,524	\$ 38,419	\$ 177,724	\$ 173,955

Source: Marvell

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Unaudited Balance Sheet

(In thousands)

	Q3'11	Q4'11	Q1'12	Q2'12	Q3'12	Q4'12	Q1'13	Q2'13
Assets								
Current assets:								
Cash, cash equivalents, and short-term investments	\$ 2,675,273	\$ 2,930,030	\$ 2,267,839	\$ 2,399,787	\$ 2,424,698	\$ 2,246,498	\$ 2,202,681	\$ 2,134,193
Accounts receivable, net	467,975	459,406	425,468	405,757	451,108	407,263	417,382	390,772
Inventories	227,936	245,448	299,108	322,005	309,968	354,119	353,387	345,712
Prepaid expenses and other current assets	78,576	77,763	80,154	70,842	61,741	71,081	68,176	58,904
Total current assets	3,449,760	3,712,647	3,072,569	3,198,391	3,247,515	3,078,961	3,041,626	2,929,581
Property and equipment, net	347,588	358,440	354,483	363,764	373,628	383,801	382,374	381,154
Long-term investments	30,865	26,226	26,070	26,070	23,218	23,215	23,215	18,103
Goodwill and acquired intangible assets, net	2,131,666	2,129,464	2,130,342	2,119,649	2,112,094	2,173,496	2,159,141	2,146,118
Other non-current assets	161,793	111,380	109,143	120,689	110,920	108,146	112,169	109,596
Total assets	\$ 6,121,672	\$ 6,338,157	\$ 5,692,607	\$ 5,828,563	\$ 5,867,375	\$ 5,767,619	\$ 5,718,525	\$ 5,584,552
Liabilities and Shareholders' Equity								
Current liabilities:								
Accounts payable	\$ 352,216	\$ 332,007	\$ 321,687	\$ 353,992	\$ 355,404	\$ 304,695	\$ 323,392	\$ 335,100
Accrued liabilities	241,520	232,007	210,837	207,156	237,119	224,900	244,739	223,508
Deferred income	88,216	76,161	80,890	67,827	69,244	59,959	65,413	67,840
Current portion of capital lease obligations	1,011	511	-	-	-	-	-	-
Total current liabilities	682,963	640,686	613,414	628,975	661,767	589,554	633,544	626,448
Other long-term liabilities	210,703	175,602	175,789	173,457	166,309	164,047	162,451	154,990
Total liabilities	893,666	816,288	789,203	802,432	828,076	753,601	795,995	781,438
Shareholders' equity:								
Common stock	4,733,385	4,806,905	4,036,091	3,967,254	3,791,348	3,684,279	3,496,707	3,318,693
Accumulated other comprehensive income (loss)	3,602	1,092	6,580	5,752	(295)	776	2,317	1,378
Retained earnings	491,019	713,872	860,733	1,053,125	1,248,246	1,328,963	1,423,506	1,483,043
Total shareholders' equity	5,228,006	5,521,869	4,903,404	5,026,131	5,039,299	5,014,018	4,922,530	4,803,114
Total liabilities and shareholders' equity	\$ 6,121,672	\$ 6,338,157	\$ 5,692,607	\$ 5,828,563	\$ 5,867,375	\$ 5,767,619	\$ 5,718,525	\$ 5,584,552
GAAP inventory turns	6.7	6.2	4.9	4.9	5.2	4.1	4.1	4.4
GAAP days in inventory	54	59	74	75	70	89	88	83

Source: Marvell

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Unaudited GAAP to Non-GAAP Reconciliations

(In thousands, except per share amounts)

	<u>Q3'11</u>	<u>Q4'11</u>	<u>Q1'12</u>	<u>Q2'12</u>	<u>Q3'12</u>	<u>Q4'12</u>	<u>Q1'13</u>	<u>Q2'13</u>
GAAP Net income	\$ 255,732	\$ 222,853	\$ 146,861	\$ 192,392	\$ 195,121	\$ 80,717	\$ 94,543	\$ 93,074
(1) Cost of goods sold								
Stock-based compensation	1,818	1,776	1,695	1,916	1,940	1,444	2,123	1,775
Acquisition related costs	-	-	-	-	-	1,457	1,929	1,054
Legal/Tax related matters	-	4,062	-	-	-	-	-	-
(2) Research and development:								
Stock-based compensation	19,795	21,789	19,593	22,128	21,905	22,298	17,174	22,413
Acquisition related costs	-	-	-	-	-	279	442	466
Restructuring	187	280	168	139	1	420	2	42
Legal/Tax related matters	-	-	-	-	3,137	-	-	-
(3) Selling and marketing:								
Stock-based compensation	3,208	2,991	2,654	3,207	3,402	3,657	3,036	3,458
Acquisition related costs	-	-	-	-	-	41	46	50
Restructuring	-	-	-	-	-	8	(7)	7
(4) General and administrative:								
Stock-based compensation	4,720	4,723	3,538	3,104	3,364	4,018	4,859	5,582
Acquisition related costs	-	-	-	-	-	185	39	7
Restructuring	72	399	451	428	104	137	120	810
Legal/Tax related matters	-	-	-	-	4,322	(750)	-	250
(5) Other operating costs and expenses:								
Amortization of acquired intangible assets	21,770	14,005	14,341	11,138	11,155	12,723	14,355	13,023
Non-GAAP Net income	<u>\$ 307,302</u>	<u>\$ 272,878</u>	<u>\$ 189,301</u>	<u>\$ 234,452</u>	<u>\$ 244,451</u>	<u>\$ 126,634</u>	<u>\$ 138,661</u>	<u>\$ 142,011</u>
Non-GAAP Operating Income	<u>\$ 310,572</u>	<u>\$ 265,748</u>	<u>\$ 190,553</u>	<u>\$ 236,700</u>	<u>\$ 240,716</u>	<u>\$ 115,924</u>	<u>\$ 138,051</u>	<u>\$ 139,252</u>
GAAP Wighted average shares — diluted	674,789	679,445	657,140	623,132	613,499	599,300	594,739	570,325
Non-GAAP adjustment	2,710	5,760	5,808	1,645	1,558	6,397	10,814	16,302
Non-GAAP Wighted average shares — diluted	<u>677,499</u>	<u>685,205</u>	<u>662,948</u>	<u>624,777</u>	<u>615,057</u>	<u>605,697</u>	<u>605,553</u>	<u>586,627</u>

Source: Marvell

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Thank You

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