

Marvell Technology Group

Investor Relations

FQ1' 2014 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 second quarter of fiscal 2014; 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 our revenue; costs and liabilities relating to current and future litigation; our ability to develop and introduce new and enhanced products in a timely and cost effective manner; uncertainty in the worldwide economic conditions; 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; our ability to generate cash flows; 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-K for the year ended February 2, 2013 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, including the financial outlook for the second quarter of fiscal 2014 contained herein.

The payment of future quarterly cash dividends on Marvell's common shares is subject to, among other things, the best interests of our shareholders, our results of operations, cash balances and future cash requirements, financial condition, statutory requirements of Bermuda law, and other factors that our board of directors may deem relevant.

The financial outlook contained herein does not include the potential impact of future share repurchases, resolution of material litigation, business combinations, asset acquisitions or other investments that may be completed after May 4, 2013. Our financial outlook for the second quarter of fiscal 2014 is based on expectations, assumptions and estimates that we believe are reasonable, and is subject to a wide range of business risks and uncertainties, many of which are beyond our control. The financial outlook contained herein should not be regarded as representations by us that the estimated results will be achieved or are indicative of future results.

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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 at www.marvell.com.

FQ1' 2014 Financial Results

Key Highlights from FQ1' 2014 Results

Revenue

- Revenue of \$734M a decrease of -5% sequentially
- Better than seasonal demand in Storage and Networking
- Continued share gains in HDDs and growth in SSDs
- Strong design traction in 3G and 4G mobile handsets and tablets

Non-GAAP EPS & Profitability

- EPS: \$0.19
- Gross margin: 54.6%
- Operating margin: 12%
- FCF margin: 7%

Shareholder Capital Returns

- Share repurchases: 20 million shares
- Quarterly payment of \$30 million in dividends or 6 cents per share

Source: Marvell

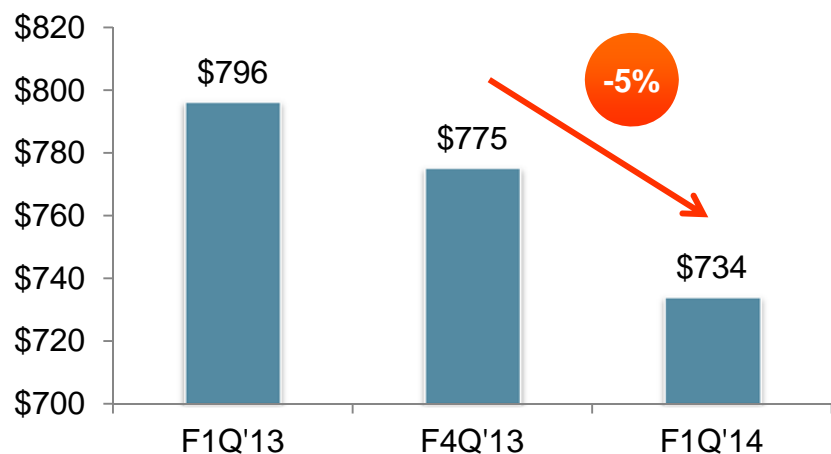
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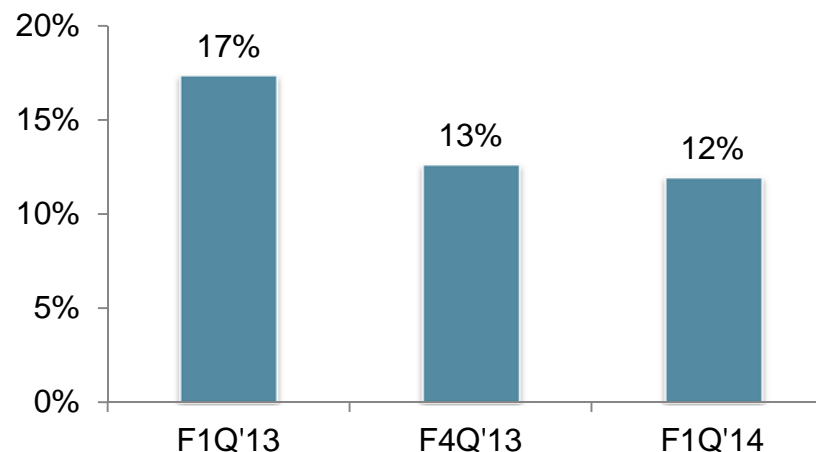
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FQ1' 2014 Financial Summary

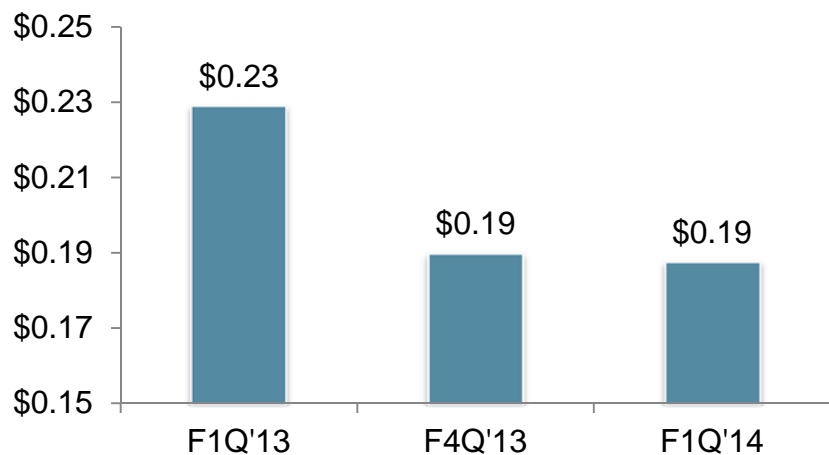
Revenue (\$M)



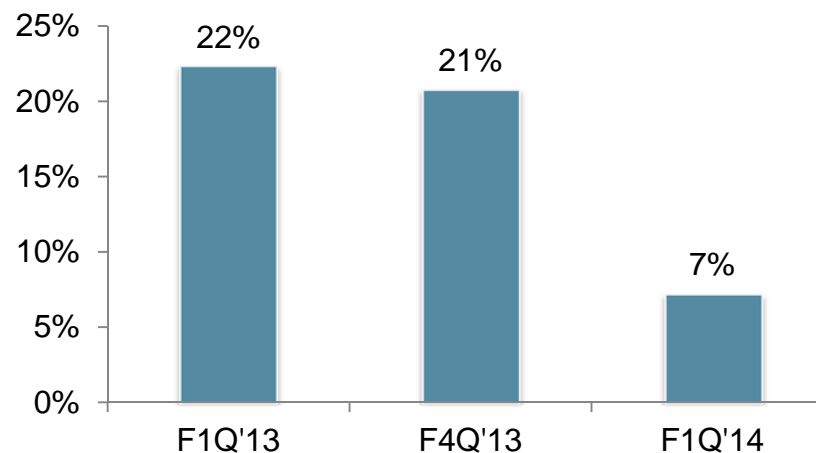
Non-GAAP Operating Margin (%)



Non-GAAP EPS (\$)

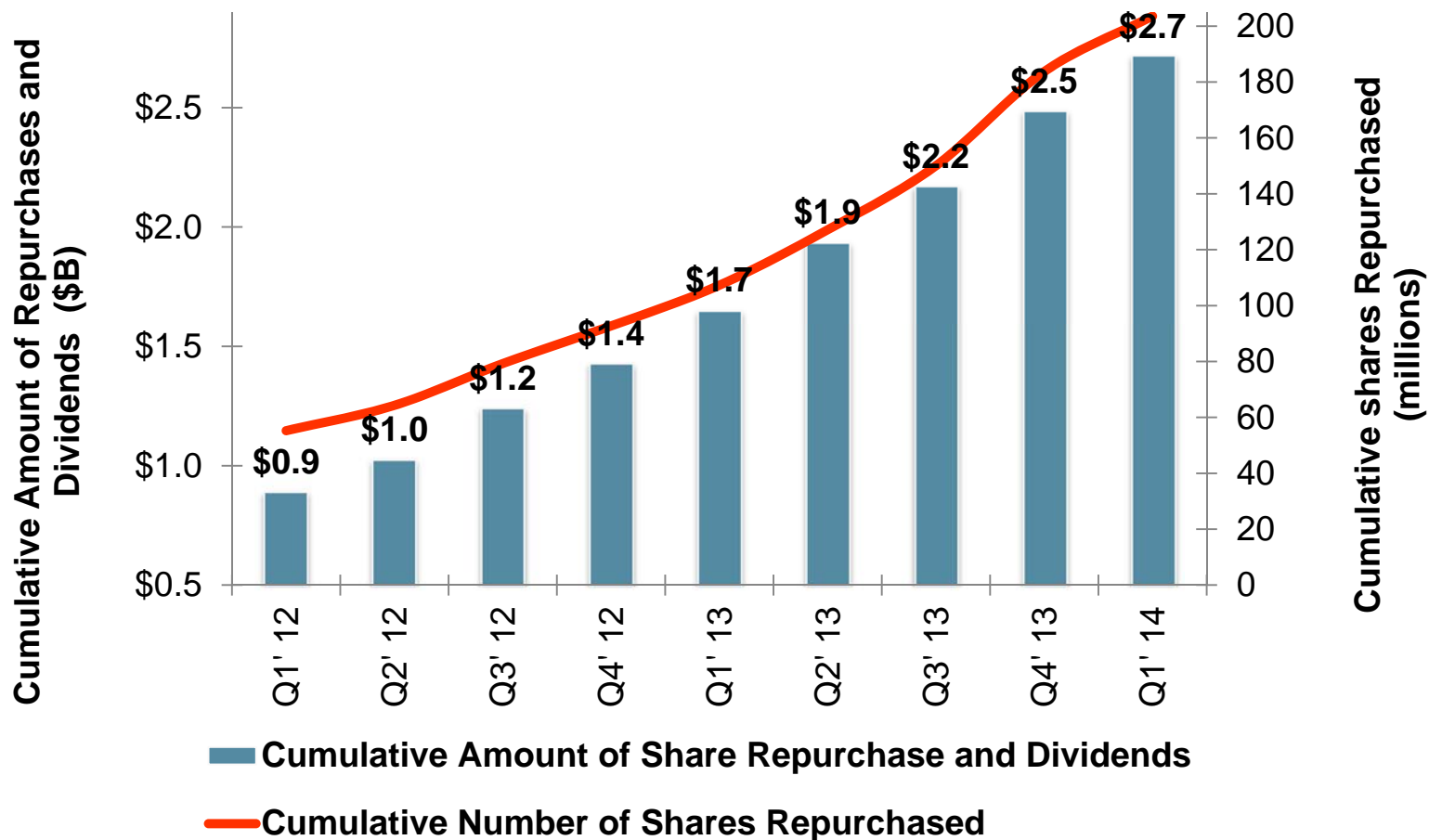


FCF Margin (%)



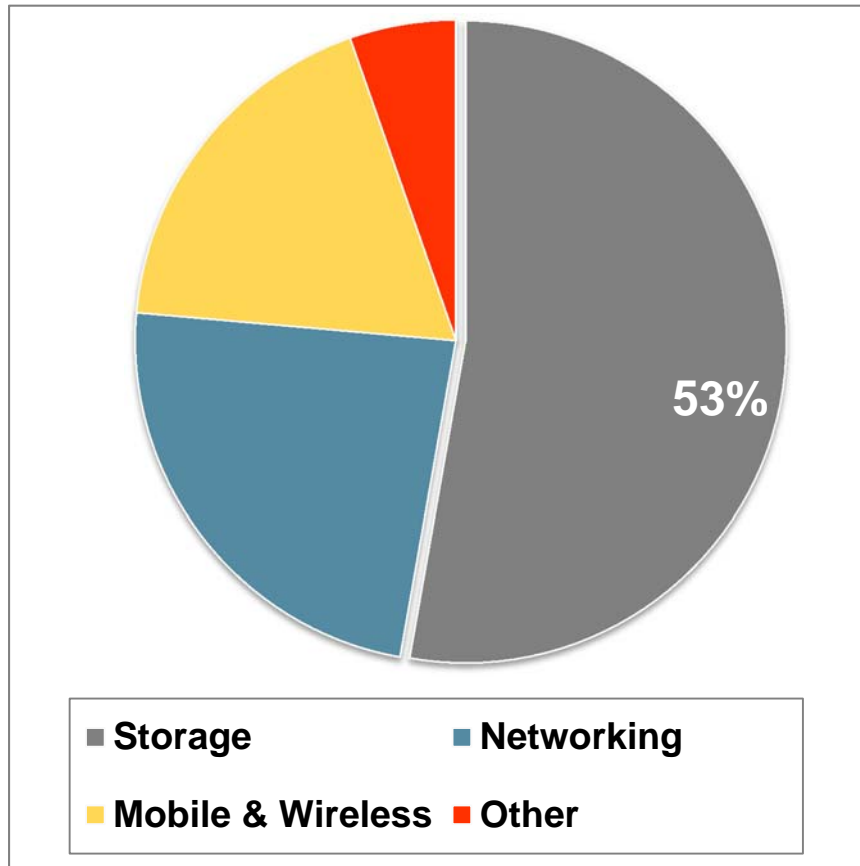
Source: Marvell

Return of Capital



Source: Marvell

End Markets: Storage



Source: Marvell

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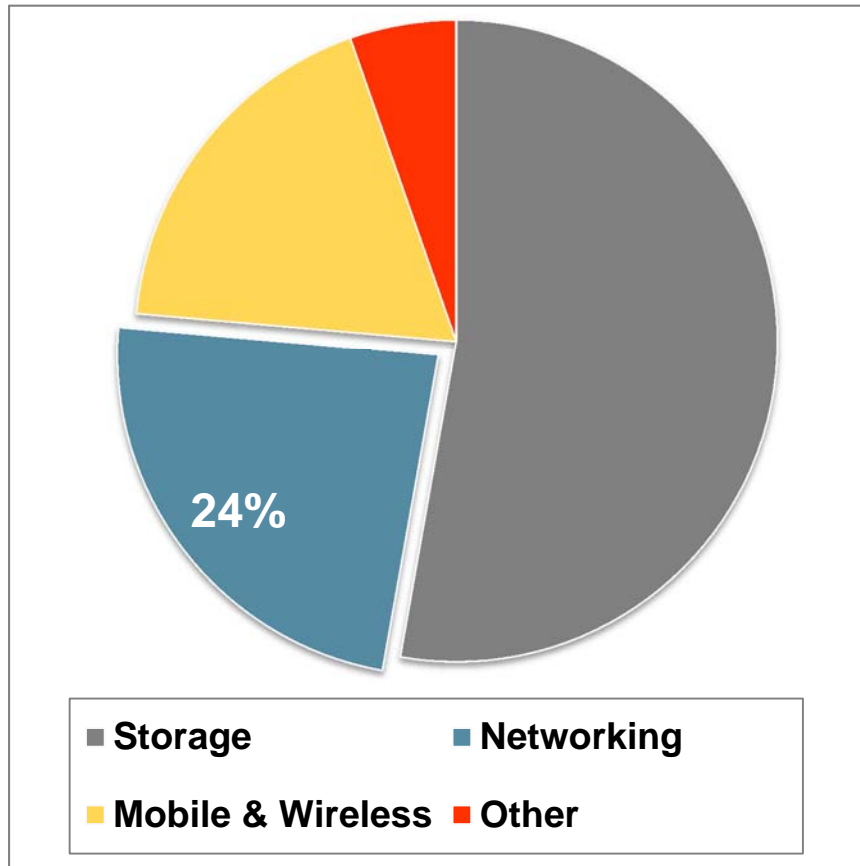
FQ1 Highlights

- 53% of overall revenue and flat sequentially
- Stable HDD TAM, better than seasonal demand due to increasing non-PC applications
- Continued share gains in HDDs currently in mobile with future opportunities in enterprise and desktop
- Strong double-digit growth for SSDs from multiple Tier 1 OEMs

FQ2 Expectations

- Overall Storage revenue to be flat sequentially
- Continued HDD share gains offset by flat to slightly declining TAM
- Double digit percentage SSD growth sequentially

End Markets: Networking



Source: Marvell

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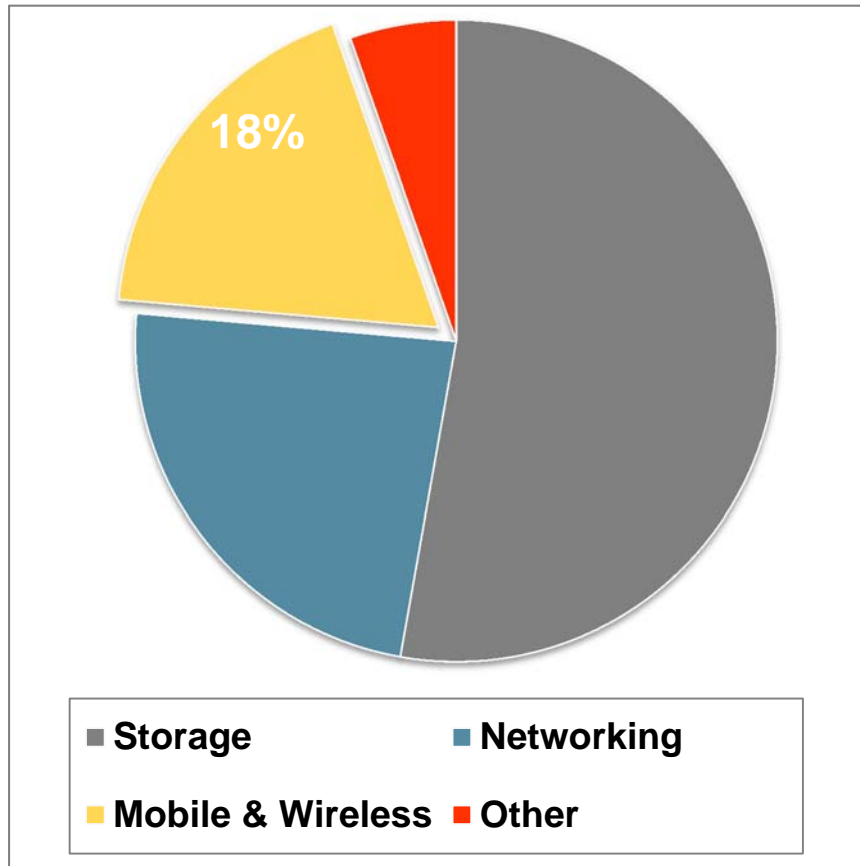
FQ1 Highlights

- 24% of overall revenue and a -2% sequential decrease
- Double digit sequential growth in network processors and PON
- Broad based softness in the networking market
- Continued traction in network processors and ARM based CPUs
- Steady outperformance relative to most peers in Networking

FQ2 Expectations

- Revenue increase of low- to mid-single digit percentage sequentially
- Growth driven by NPUs and core Networking products

End Markets: Mobile & Wireless



Source: Marvell

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FQ1 Highlights

- 18% of overall revenue and a decline of -24% sequentially
- Lower than anticipated demand for older generation mobile products from a North American customer
- Initial shipments of quad-core 3G platform and introduction of new quad-core 5 mode LTE platform
- Continued traction for 2x2 and 4x4 combo connectivity solutions

FQ2 Expectations

- Revenue increase of double-digits percentage sequentially for both Mobile and Wireless Connectivity

FQ2' 2014 Financial Outlook

FQ2' 2014 Outlook

	FQ2' 2014 Outlook
Revenue	\$770 to \$810 million
Non-GAAP Gross Margin	52.5% +/- 100 bps
Non-GAAP Operating Expense	\$315 million +/- \$10 million
Non-GAAP R&D Expense	\$255 million
Non-GAAP SG&A Expense	\$60 million
Other Income / (Expense)	\$1 million
Tax Expense	\$1 million
Non-GAAP EPS	\$0.19 +/- \$0.02
GAAP EPS	\$0.09 +/- \$0.02

Source: Marvell

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Financial Statements

Unaudited Statement of Operations

(In thousands, except per share amounts)

	Q2'12	Q3'12	Q4'12	Q1'13	Q2'13	Q3'13	Q4'13	Q1'14
Net revenue	\$ 897,520	\$ 950,417	\$ 742,701	\$ 796,351	\$ 816,104	\$ 780,881	\$ 775,294	\$ 734,369
Cost of goods sold	378,117	412,100	341,113	366,322	381,839	374,503	370,833	335,438
Gross profit	519,403	538,317	401,588	430,029	434,265	406,378	404,461	398,931
Operating expenses:								
Research and development	249,604	266,255	255,282	255,970	264,175	263,615	273,685	279,052
Selling and marketing	40,390	40,500	40,392	40,066	41,034	38,398	42,319	39,989
General and administrative	23,631	29,021	23,184	25,705	25,718	24,514	32,577	26,323
Amortization of acquired intangible assets	11,138	11,155	12,723	14,355	13,023	13,054	12,268	10,686
Total operating expenses	324,763	346,931	331,581	336,096	343,950	339,581	360,849	356,050
Operating income	194,640	191,386	70,007	93,933	90,315	66,797	43,612	42,881
Interest and other income (expense), net	2,064	7,729	5,338	1,057	5,864	2,387	6,225	3,160
Income before income taxes	196,704	199,115	75,345	94,990	96,179	69,184	49,837	46,041
Provision (benefit) for income taxes	4,312	3,994	(5,372)	447	3,105	368	(315)	(7,168)
Net income	<u>\$ 192,392</u>	<u>\$ 195,121</u>	<u>\$ 80,717</u>	<u>\$ 94,543</u>	<u>\$ 93,074</u>	<u>\$ 68,816</u>	<u>\$ 50,152</u>	<u>\$ 53,209</u>
Net income per share - basic	<u>0.32</u>	<u>0.32</u>	<u>0.14</u>	<u>0.16</u>	<u>0.17</u>	<u>0.12</u>	<u>0.10</u>	<u>0.11</u>
Net income per share - diluted	<u>0.31</u>	<u>0.32</u>	<u>0.13</u>	<u>0.16</u>	<u>0.16</u>	<u>0.12</u>	<u>0.09</u>	<u>0.11</u>
Weighted average shares — basic	<u>608,511</u>	<u>600,504</u>	<u>583,466</u>	<u>580,024</u>	<u>562,362</u>	<u>553,049</u>	<u>525,804</u>	<u>502,180</u>
Weighted average shares — diluted	<u>623,132</u>	<u>613,499</u>	<u>599,300</u>	<u>594,739</u>	<u>570,325</u>	<u>559,348</u>	<u>528,082</u>	<u>505,387</u>

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	1,916	1,940	1,444	2,123	1,775	1,944	2,300	1,867
Research and development	22,128	21,905	22,298	17,174	22,413	22,565	24,997	23,279
Selling and marketing	3,207	3,402	3,657	3,036	3,458	3,101	3,683	3,392
General and administrative	3,104	3,364	4,018	4,859	5,582	2,764	5,506	4,975

Source: Marvell

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Unaudited Statement of Cash Flows

(In thousands)

	Q2'12	Q3'12	Q4'12	Q1'13	Q2'13	Q3'13	Q4'13	Q1'14
Cash flows from operating activities:								
Net income	\$ 192,392	\$ 195,121	\$ 80,717	\$ 94,543	\$ 93,074	\$ 68,816	\$ 50,152	\$ 53,209
Adjustments to reconcile net income to net cash provided by operating activities:								
Depreciation and amortization	22,437	20,179	21,801	21,199	21,285	22,317	26,227	24,966
Stock-based compensation	30,355	30,611	31,416	27,192	33,228	30,374	36,486	33,513
Amortization of acquired intangible assets	11,138	11,155	12,723	14,355	13,023	13,054	12,268	10,686
Other (income) expense, net	3,291	4,266	3,779	2,903	2,272	1,260	957	2,523
Excess tax benefits from stock-based compensation	(11)	(85)	(65)	(41)	(3)	(5)	(9)	(7)
Changes in assets and liabilities:								
Accounts receivable	19,711	(45,351)	46,252	(10,119)	26,610	16,002	44,532	(40,112)
Inventories	(22,897)	12,037	(37,142)	201	7,832	21,601	73,468	(20,123)
Prepaid expenses and other assets	16,794	16,791	(6,738)	4,242	11,393	358	(15,861)	6,802
Accounts payable	12,294	(2,806)	(51,288)	21,249	6,288	(54,674)	2,833	28,936
Accrued expenses and other liabilities	5,359	(17,939)	(3,583)	18,143	(4,204)	(3,653)	(2,272)	(20,081)
Accrued employee compensation	(14,387)	36,191	(19,489)	(648)	(24,033)	29,509	(24,878)	4,423
Deferred income	(13,063)	1,417	(9,285)	5,454	2,427	(8,382)	692	(880)
Net cash provided by operating activities	263,413	261,587	69,098	198,673	189,192	136,577	204,595	83,855
Cash flows from investing activities:								
Purchases of available-for-sale securities	(462,705)	(443,008)	(268,804)	(421,652)	(225,255)	(558,457)	(338,538)	(306,838)
Sales and maturities of available-for-sale securities	408,522	402,145	378,950	558,777	322,532	436,435	517,911	335,481
Purchases of strategic investments	(503)	(1,250)	(500)	(5,000)	(750)	-	(3,000)	-
Cash paid for acquisitions, net	(430)	(2,000)	(75,156)	-	-	(1,000)	-	(2,551)
Purchases of technology licenses	(3,325)	(2,978)	(4,230)	(2,045)	(4,407)	(4,235)	(24,315)	(5,860)
Purchases of property and equipment	(25,227)	(20,085)	(26,449)	(18,904)	(10,830)	(19,356)	(19,096)	(20,080)
	-	-	-	-	-	-	-	290
Net cash (used in) provided by investing activities	(83,668)	(67,176)	3,811	111,176	81,290	(146,613)	132,962	442
Cash flows from financing activities:								
Repurchase of common stock	(135,740)	(215,155)	(186,480)	(223,157)	(250,327)	(202,987)	(260,464)	(216,694)
Proceeds from employee stock plans	36,782	8,942	50,474	17,803	39,526	8,915	38,692	19,805
Minimum tax withholding paid on behalf of employees for net share settlement	(234)	(304)	(3,010)	(8,879)	(598)	(345)	(277)	(9,378)
Dividend payment to shareholder	-	-	-	-	(33,537)	(33,476)	(31,748)	(30,253)
Payment on technology license obligations	-	-	-	-	-	-	-	(5,317)
Excess tax benefits from stock-based compensation	11	85	65	41	3	5	9	7
Net cash (used in) provided by financing activities	(99,181)	(206,432)	(138,951)	(214,192)	(244,933)	(227,888)	(253,788)	(241,830)
Net increase (decrease) in cash and cash equivalents	80,564	(12,021)	(66,042)	95,657	25,549	(237,924)	83,769	(157,533)
Cash and cash equivalents at beginning of period	782,401	862,965	850,944	784,902	880,559	906,108	668,184	751,953
Cash and cash equivalents at end of period	\$ 862,965	\$ 850,944	\$ 784,902	\$ 880,559	\$ 906,108	\$ 668,184	\$ 751,953	\$ 594,420

Source: Marvell

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Unaudited Balance Sheet

(In thousands)

	Q2'12	Q3'12	Q4'12	Q1'13	Q2'13	Q3'13	Q4'13	Q1'14
Assets								
Current assets:								
Cash, cash equivalents, and short-term investments	\$ 2,399,787	\$ 2,424,698	\$ 2,246,498	\$ 2,202,681	\$ 2,134,193	\$ 2,016,799	\$ 1,918,990	\$ 1,732,643
Accounts receivable, net	405,757	451,108	407,263	417,382	390,772	374,770	330,238	370,350
Inventories	322,005	309,968	354,119	353,387	345,712	323,997	250,420	270,652
Prepaid expenses and other current assets	70,842	61,741	71,081	68,176	58,904	62,264	85,698	79,269
Total current assets	3,198,391	3,247,515	3,078,961	3,041,626	2,929,581	2,777,830	2,585,346	2,452,914
Property and equipment, net	363,764	373,628	383,801	382,374	381,154	376,437	387,027	384,612
Long-term investments	26,070	23,218	23,215	23,215	18,103	18,103	16,769	16,550
Goodwill and acquired intangible assets, net	2,119,649	2,112,094	2,173,496	2,159,141	2,146,118	2,134,061	2,121,793	2,114,893
Other non-current assets	120,689	110,920	108,146	112,169	109,596	119,523	150,829	152,198
Total assets	<u>\$ 5,828,563</u>	<u>\$ 5,867,375</u>	<u>\$ 5,767,619</u>	<u>\$ 5,718,525</u>	<u>\$ 5,584,552</u>	<u>\$ 5,425,954</u>	<u>\$ 5,261,764</u>	<u>\$ 5,121,167</u>
Liabilities and Shareholders' Equity								
Current liabilities:								
Accounts payable	\$ 353,992	\$ 355,404	\$ 304,695	\$ 323,392	\$ 335,100	\$ 291,366	\$ 286,552	\$ 307,393
Accrued expenses	207,156	237,119	224,900	244,739	223,508	249,645	261,186	246,432
Deferred income	67,827	69,244	59,959	65,413	67,840	59,458	60,150	59,270
Total current liabilities	628,975	661,767	589,554	633,544	626,448	600,469	607,888	613,095
Other non-current liabilities	173,457	166,309	164,047	162,451	154,990	149,191	169,281	155,631
Total liabilities	802,432	828,076	753,601	795,995	781,438	749,660	777,169	768,726
Shareholders' equity:								
Common stock	3,967,254	3,791,348	3,684,279	3,496,707	3,318,693	3,154,536	2,946,660	2,790,522
Accumulated other comprehensive income (loss)	5,752	(295)	776	2,317	1,378	3,375	1,148	2,176
Retained earnings	1,053,125	1,248,246	1,328,963	1,423,506	1,483,043	1,518,383	1,536,787	1,559,743
Total shareholders' equity	5,026,131	5,039,299	5,014,018	4,922,530	4,803,114	4,676,294	4,484,595	4,352,441
Total liabilities and shareholders' equity	<u>\$ 5,828,563</u>	<u>\$ 5,867,375</u>	<u>\$ 5,767,619</u>	<u>\$ 5,718,525</u>	<u>\$ 5,584,552</u>	<u>\$ 5,425,954</u>	<u>\$ 5,261,764</u>	<u>\$ 5,121,167</u>

Source: Marvell

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Unaudited GAAP to Non-GAAP Reconciliations (In thousands, except per share amounts)

	<u>Q2'12</u>	<u>Q3'12</u>	<u>Q4'12</u>	<u>Q1'13</u>	<u>Q2'13</u>	<u>Q3'13</u>	<u>Q4'13</u>	<u>Q1'14</u>
GAAP Net income	\$ 192,392	\$ 195,121	\$ 80,717	\$ 94,543	\$ 93,074	\$ 68,816	\$ 50,152	\$ 53,209
(1) Cost of goods sold								
Stock-based compensation	1,916	1,940	1,444	2,123	1,775	1,944	2,300	1,867
Acquisition related costs	-	-	1,457	1,929	1,054	-	-	-
Legal/Tax related matters	-	-	-	-	-	-	5,698	-
(2) Research and development:								
Stock-based compensation	22,128	21,905	22,298	17,174	22,413	22,565	24,997	23,279
Acquisition related costs	-	-	279	442	466	458	262	400
Restructuring	139	1	420	2	42	2	1	-
Legal/Tax related matters	-	3,137	-	-	-	-	(690)	-
(3) Selling and marketing:								
Stock-based compensation	3,207	3,402	3,657	3,036	3,458	3,101	3,683	3,392
Acquisition related costs	-	-	40	46	50	57	14	45
Restructuring	-	-	8	(7)	7	(3)	-	-
(4) General and administrative:								
Stock-based compensation	3,104	3,364	4,018	4,859	5,582	2,764	5,506	4,975
Acquisition related costs	-	-	185	39	7	8	19	20
Restructuring	428	104	137	120	810	130	153	228
Legal/Tax related matters	-	4,322	(750)	-	250	-	-	-
(5) Other operating costs and expenses:								
Amortization of acquired intangible assets	11,138	11,155	12,723	14,355	13,023	13,054	12,268	10,686
Non-GAAP Net income	<u>\$ 234,452</u>	<u>\$ 244,451</u>	<u>\$ 126,633</u>	<u>\$ 138,661</u>	<u>\$ 142,011</u>	<u>\$ 112,896</u>	<u>\$ 104,363</u>	<u>\$ 98,101</u>
Non-GAAP Operating Income	<u>\$ 236,700</u>	<u>\$ 240,716</u>	<u>\$ 115,923</u>	<u>\$ 138,051</u>	<u>\$ 139,252</u>	<u>\$ 110,877</u>	<u>\$ 97,823</u>	<u>\$ 87,773</u>
GAAP Wighted average shares — diluted	623,132	613,499	599,300	594,739	570,325	559,348	528,082	505,387
Non-GAAP adjustment	1,645	1,558	6,397	10,814	16,302	18,452	16,196	17,094
Non-GAAP Wighted average shares — diluted	<u>624,777</u>	<u>615,057</u>	<u>605,697</u>	<u>605,553</u>	<u>586,627</u>	<u>577,800</u>	<u>544,278</u>	<u>522,481</u>

Source: Marvell

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Thank You

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