

MACOM Reports Preliminary Fiscal Second Quarter 2019 Non-GAAP Financial Results

April 24, 2019

Complete Fiscal Second Quarter Financial Results to be Announced on May 7, 2019

LOWELL, Mass.--(BUSINESS WIRE)--Apr. 24, 2019-- MACOM Technology Solutions Holdings, Inc. (Nasdaq: MTSI) ("MACOM"), a leading supplier of high-performance RF, microwave, millimeterwave and lightwave semiconductor products, today reported preliminary non-GAAP financial results for the company's second fiscal quarter ending March 29, 2019.

Non-GAAP revenue in the quarter is expected to be approximately \$121 million, compared to guidance of \$134 million to \$142 million. Non-GAAP gross margin is expected to be around 49%, which includes \$8 million in inventory reserves primarily associated with data center materials, or roughly 600 basis point of gross margin impact. This compares to non-GAAP gross margin guidance of 55% to 57%, which did not reflect the inventory reserve. Non-GAAP earnings per share is expected to be a loss of (\$0.18), compared to guidance for adjusted earnings per share of \$0.04 to \$0.12.

President and Chief Executive Officer, John Croteau commented, "We are clearly disappointed with our preliminary fiscal Q2 results. There were several contributing factors, the majority of which were rooted in the acute inventory correction that is currently underway among Cloud Data Center customers.

"Over the course of the quarter, demand across our Cloud Data Center businesses deteriorated beyond our original forecasts due to the rapid deceleration of this previously high-growth end market. The decline in new orders from Cloud Service Providers caused component inventory levels to grow more than we originally anticipated at many of our transceiver customers. This resulted in lower product revenue and was compounded by a corresponding impact across the supply chain as cloud customers delayed the ramp of new products and new transceiver suppliers.

"As a result, we did not recognize certain solutions revenue from a new customer in Q2, which we had originally anticipated in building our Q2 guidance. Moreover, the current demand environment drove cloud customers to deprioritize qualifying new suppliers during the quarter, creating added uncertainty in the timing of revenue from new players.

"Lastly, given light backlog and weak end market demand we recorded inventory reserves associated with certain Data Center products that we were ramping. The net result was a significantly larger decline in EPS and margin relative to the associated decrease in product revenue."

Mr. Croteau concluded, "We believe that fiscal Q2 represents the bottom of the inventory correction in Data Center, as customer forecasts and market reports remain bullish for the second half of the calendar year. Given our leadership in 100G, 200G and 400G, CWDM and PAM-4 – across analog, DSP, laser and L-PIC content – we believe that we remain well positioned when orders turn back on. We will provide further commentary and fiscal Q3 guidance at our regularly scheduled earnings call in early May."

Conference Call

MACOM will host a conference call on May 7, 2019 at 5:00 p.m. Eastern Time to discuss its fiscal second quarter 2019 financial results and business outlook. Investors and analysts may join the conference call by dialing 1-877-837-3908 and providing the passcode 6194258.

International callers may join the teleconference by dialing +1-973-872-3000 and entering the same passcode at the prompt. A telephone replay of the call will be made available beginning two hours after the call and will remain available for five business days. The replay number is 1-855-859-2056 with a passcode of 6194258. International callers should dial +1-404-537-3406 and enter the same passcode at the prompt.

Additionally, this conference call will be broadcast live over the Internet and can be accessed by all interested parties in the Investors section of MACOM's website at <http://www.macom.com>. To listen to the live call, please go to the Investors section of MACOM's website and click on the conference call link at least fifteen minutes prior to the start of the conference call. For those unable to participate during the live broadcast, a replay will be available shortly after the call and will remain available for approximately 30 days.

About MACOM

MACOM enables a better-connected and safer world by delivering breakthrough semiconductor technologies for optical, wireless and satellite networks that satisfy society's insatiable demand for information.

Today, MACOM powers the infrastructure that millions of lives and livelihoods depend on every minute to communicate, transact business, travel, stay informed and be entertained. Our technology increases the speed and coverage of the mobile Internet and enables fiber optic networks to carry previously unimaginable volumes of traffic to businesses, homes and datacenters.

Keeping us all safe, MACOM technology enables next-generation radars for air traffic control and weather forecasting, as well as mission success on the modern networked battlefield.

MACOM is the partner of choice to the world's leading communications infrastructure, aerospace and defense companies, helping solve their most complex challenges in areas including network capacity, signal coverage, energy efficiency and field reliability, through its best-in-class team and broad portfolio of RF, microwave, millimeterwave and lightwave semiconductor products.

MACOM is a pillar of the semiconductor industry, thriving for more than 60 years of daring to change the world for the better, through bold technological strokes that deliver true competitive advantage to customers and superior value to investors.

Headquartered in Lowell, Massachusetts, MACOM is certified to the ISO9001 international quality standard and ISO14001 environmental

MACOM, M/A-COM, M/A-COM Technology Solutions, M/A-COM Tech, Partners in RF & Microwave and related logos are trademarks of MACOM. All other trademarks are the property of their respective owners. For more information about MACOM, please visit www.macom.com follow @MACOMtweets on Twitter, join MACOM on [LinkedIn](#) and [Facebook](#) or visit the MACOM [YouTube Channel](#).

This press release and our commentary in our conference call held today each contain forward-looking statements based on MACOM management's beliefs and assumptions and on information currently available to our management. Forward-looking statements include, among others, information concerning our estimated financial results for our fiscal second quarter, our stated business outlook and future results of operations, our expectations concerning our plans to follow through on investments in support of critical customers and program ramps, our expectations for business and market conditions, positioning and growth aspirations in our various markets, our expectations for the launch and success of our Data Center solutions business model, statements regarding market and geographic cycles and downturns for MACOM in terms of revenue and demand, our expectations regarding growth in the second half of the calendar year and any other statements regarding future trends, business strategies, competitive position, industry conditions, acquisitions and market opportunities. Forward-looking statements include all statements that are not historical facts and generally may be identified by terms such as "anticipates," "believes," "could," "estimates," "expects," "intends," "may," "plans," "potential," "predicts," "projects," "seeks," "should," "will," "would" or similar expressions and the negatives of those terms.

Discussion Regarding the Use of Historical and Forward-Looking Non-GAAP Financial Measures

In addition to GAAP reporting, MACOM provides investors with financial measures that have not been calculated in accordance with United States Generally Accepted Accounting Principles ("GAAP"), such as: non-GAAP gross profit and gross margin, non-GAAP income from operations and operating margin, non-GAAP operating expenses, non-GAAP net income, non-GAAP diluted earnings per share, adjusted EBITDA and Free Cash Flow. From time to time in this release or elsewhere, we may alternatively refer to such non-GAAP measures as "adjusted" measures. This non-GAAP information excludes the effect, where applicable, of discontinued operations, intangible amortization expense, share-based compensation costs, impairment and restructuring charges, changes in common stock warrant liability, financing and litigation costs, acquisition and integration related costs, equity investment gains and losses, divested business losses, other costs and the tax effect of each adjustment.

Management believes that these excluded items are not reflective of our underlying performance. Management uses these non-GAAP financial measures to: evaluate our ongoing operating performance and compare it against prior periods, make operating decisions, forecast future periods, evaluate potential acquisitions, compare our operating performance against peer companies and assess certain compensation programs. The exclusion of these and other similar items from our non-GAAP financial results should not be interpreted as implying that these items are non-recurring, infrequent or unusual. We believe this non-GAAP financial information provides additional insight into our ongoing performance and have therefore chosen to provide this information to investors for a more consistent basis of comparison and to help them evaluate the results of our ongoing operations and enable more meaningful period-to-period comparisons. These non-GAAP measures are provided in addition to, and not as a substitute for, or superior to, measures of financial performance prepared in accordance with GAAP.

Investors are cautioned against placing undue reliance on these non-GAAP financial measures and are urged to review and consider carefully the adjustments made by management to the most directly comparable GAAP financial measures to arrive at these non-GAAP financial measures. Non-GAAP financial measures may have limited value as analytical tools because they may exclude certain expenses that some investors consider important in evaluating our operating performance or ongoing business performance. Further, non-GAAP financial measures may have limited value for purposes of drawing comparisons between companies because different companies may calculate similarly titled non-GAAP financial measures in different ways because non-GAAP measures are not based on any comprehensive set of accounting rules or principles.

View source version on businesswire.com: <https://www.businesswire.com/news/home/20190424005525/en/>

Source: MACOM Technology Solutions Holdings, Inc.

Company Contact:

MACOM Technology Solutions Holdings, Inc.

Stephen Ferranti

Vice President of Investor Relations

P: 978-656-2977

E: stephen.ferranti@macom.com

Investor Relations Contact:

Shelton Group

Leanne K. Sievers

EVP, Investor Relations

P: 949-224-3874

E: lsievers@sheltongroup.com