

MACOM Reports Fiscal Second Quarter 2020 Financial Results

April 29, 2020

LOWELL, Mass.--(BUSINESS WIRE)--Apr. 29, 2020-- MACOM Technology Solutions Holdings, Inc. ("MACOM") (NASDAQ: MTSI), a leading supplier of semiconductor products, today announced its financial results for its fiscal second quarter ended April 3, 2020.

Second Quarter Fiscal Year 2020 GAAP Results

- Revenue was \$126.4 million, a decrease of 1.6% compared to \$128.5 million in the previous year fiscal second quarter and an increase of 6.2% compared to \$119.1 million in the prior fiscal quarter;
- Gross margin was 50.1%, compared to 44.6% in the previous year fiscal second quarter and 48.9% in the prior fiscal quarter;
- Operating loss was \$5.3 million, compared to a loss of \$30.2 million in the previous year fiscal second quarter and a loss of \$10.5 million in the prior fiscal quarter; and
- Net loss was \$10.2 million, or \$0.28 loss per diluted share, compared to net loss of \$46.2 million, or \$0.71 loss per diluted share, in the previous year fiscal second quarter and net loss of \$28.4 million, or \$0.43 loss per diluted share, in the prior fiscal quarter.

Second Quarter Fiscal Year 2020 Adjusted Non-GAAP Results

- Adjusted gross margin was 54.5%, compared to 51.5% in the previous year fiscal second quarter and 53.5% in the prior fiscal quarter;
- Adjusted operating income was \$19.6 million, or 15.5% of revenue, compared to adjusted operating income of \$2.8 million, or 2.2% of revenue, in the previous year fiscal second quarter and adjusted operating income of \$13.0 million, or 10.9% of revenue, in the prior fiscal quarter; and
- Adjusted net income was \$11.9 million, or \$0.17 per diluted share, compared to adjusted net loss of \$4.6 million, or \$0.07 loss per diluted share, in the previous year fiscal second quarter and adjusted net income of \$4.9 million, or \$0.07 per diluted share, in the prior fiscal quarter.

Management Commentary

"We are focused on the health and safety of our employees, while continuing to deliver on customer commitments and accelerating new product introductions," said Stephen G. Daly, President and Chief Executive Officer. "Our dedicated employees continue to make steady progress on improving our profitability."

Business Outlook

For the fiscal third quarter ending July 3, 2020, MACOM expects revenue to be in the range of \$129 million to \$133 million. Adjusted gross margin is expected to be between 54% and 56%, and adjusted earnings per share is expected to be between \$0.19 and \$0.23 on an anticipated 68.5 million fully diluted shares outstanding.

Conference Call

MACOM will host a conference call on Wednesday, April 29, 2020 at 5:00 p.m. Eastern Time to discuss its fiscal second quarter 2020 financial results and business outlook. Investors and analysts may join the conference call by dialing 1-877-837-3908 and providing the passcode 2681627.

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 and the passcode is 2681627. 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 designs and manufactures semiconductor products for Data Center, Telecommunication and Industrial and Defense applications. Headquartered in Lowell, Massachusetts, MACOM has design centers and sales offices throughout North America, Europe and Asia. MACOM is certified to the ISO9001 international quality standard and ISO14001 environmental management standard.

Special Note Regarding Forward-Looking Statements

This press release contains forward-looking statements based on MACOM management's beliefs and assumptions and on information currently

available to our management. These forward-looking statements include, among others, statements about MACOM's strategic plans and priorities, our ability to ensure business continuity, acceleration of new product introductions, MACOM's profitability, prospects and growth opportunities in our three primary markets, development and process qualification timelines and the estimated financial results for our fiscal third quarter and the stated business outlook and future results of operations.

These forward-looking statements reflect MACOM's current views about future events and are subject to risks, uncertainties, assumptions and changes in circumstances that may cause those events or our actual activities or results to differ materially from those indicated by the forward-looking statements, including any failure to anticipate demand for our products; risks related to any weakening of economic conditions, including as a result of the COVID-19 pandemic; our dependence on a limited number of customers; our ability to develop new products and achieve market acceptance of those products; disruptions in our supply chain; and those other factors described in "Risk Factors" in MACOM's filings with the Securities and Exchange Commission ("SEC"), including its Annual Report on Form 10-K, its Quarterly Reports on Form 10-Q and other filings with the SEC. These forward-looking statements speak only as of the date of this press release, and MACOM undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

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

In addition to United States Generally Accepted Accounting Principles ("GAAP") reporting, MACOM provides investors with financial measures that have not been calculated in accordance with 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 (loss), non-GAAP diluted earnings (loss) per share, non-GAAP income tax rate, adjusted EBITDA, non-GAAP interest expense 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 intangible amortization expense, share-based and non-cash compensation expense, impairment and restructuring charges, changes in common stock warrant liability, non-cash interest, litigation costs, acquisition, integration and restructuring related costs, equity investment gains and losses and the tax effect of each non-GAAP 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.

A reconciliation between GAAP and non-GAAP financial data is included in the supplemental financial data attached to this press release. We have not provided a reconciliation with respect to any forward-looking non-GAAP financial data presented because we do not have and cannot reliably estimate certain key inputs required to calculate the most comparable GAAP financial data, such as the future price per share of our common stock for purposes of calculating the value of our common stock warrant liability, future acquisition costs, the possibility and impact of any litigation costs, changes in our GAAP effective tax rate and impairment charges. We believe these unknown inputs are likely to have a significant impact on any estimate of the comparable GAAP financial data.

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.

Additional information and management's assessment regarding why certain items are excluded from our non-GAAP measures are summarized below:

Amortization Expense - is related to acquired intangible assets which are based upon valuation methodologies, and are generally amortized over the expected life of the intangible asset at the time of acquisition, which may result in amortization amounts that vary over time. This is a non-cash expense and is not considered by management in making operating decisions.

Share-Based and Non-cash Compensation Expense - includes share-based compensation expense for awards that are equity and liability classified on our balance sheet. Share-based compensation expense is partially outside of our control due to factors such as stock price volatility and interest rates, which may be unrelated to our operating performance during the period in which the expense is incurred. It is an expense based upon valuation methodologies and assumptions that vary over time, and the amount of the expense can vary significantly between companies due to factors that can be outside of their control. Share-based and non-cash compensation expense amounts are not considered by management in making operating decisions.

Impairment-Related Charges - includes amounts associated with the impairment of property and equipment primarily associated with approved restructuring plans to reduce staffing and manufacturing, research and development and administrative footprints. We believe these amounts are not correlated to future business operations and including such charges does not reflect our ongoing operations.

Restructuring Charges - includes amounts primarily associated with approved plans to reduce staffing and manufacturing, research and development and administrative footprints, including amounts associated with the 2019 restructuring and other restructuring plans. We believe these amounts are not correlated to future business operations and including such charges does not reflect our ongoing operations.

Warrant Liability Expenses/Gains - are associated with mark-to-market fair value adjustments which are largely based on the value of our common stock, which may vary from period to period due to factors such as stock price volatility. We believe these amounts are not correlated to future business operations and including such charges does not reflect our ongoing operations.

Non-cash Interest, Net - includes amounts associated with the amortization of certain fees associated with the establishment or amendment of our

credit agreement and term loans that are being amortized over the life of the agreement. We believe these amounts are non-cash in nature and not correlated to future business operations and including such charges does not reflect our ongoing operations.

Litigation Costs - includes gains, losses and expenses related to the resolution of other-than-ordinary-course threatened and actually filed lawsuits and other-than-ordinary-course contractual disputes and legal matters. We exclude these gains and losses because they are not considered by management in making operating decisions. We believe such gains, losses and expenses do not necessarily reflect the performance of our ongoing operations for the period in which such charges are recognized and the amount of such gains or losses and expenses can vary significantly between companies and make comparisons less reliable.

Acquisition, Integration and Restructuring Related Costs - includes such items as professional fees incurred in connection with pre-acquisition and integration specific activities, contingent consideration adjustments, severance and other amounts accrued or paid to terminated employees of acquired businesses, costs including salaries incurred which are not expected to have a continuing contribution to operations. We believe the exclusion of these items is useful in providing management a basis to evaluate ongoing operating activities and strategic decision making.

Equity Investment and Sale of Business Losses and Other - primarily includes losses associated with a non-marketable equity investment we have in a private business as well as other gains and losses associated with historical acquisitions and divestitures. The investment losses are non-cash in nature and we believe these items are not correlated to future business operations and including such amounts does not reflect our ongoing operations.

Tax Effect of Non-GAAP Adjustments - adjustments to arrive at an estimate of our adjusted non-GAAP income tax rate associated with our adjusted non-GAAP income over a period of time. We determine our adjusted non-GAAP income tax rate by using applicable rates in taxing jurisdictions and assessing certain factors including our historical and forecast earnings by jurisdiction, discrete items, cash taxes paid in relation to our adjusted non-GAAP net income before income taxes and our ability to realize tax assets. We generally assess this adjusted non-GAAP income tax rate quarterly and have utilized 8% for our fiscal years 2019 and 2020. Our historical effective income tax rate under GAAP has varied significantly from our adjusted non-GAAP income tax rate. Items that have historically resulted in significant difference between our effective income tax rate under GAAP and our adjusted non-GAAP income tax rate include changes in fair values of the common stock warrant liability, which are excluded from our adjusted net income and are neither deductible nor taxable for tax purposes, losses or gains associated with our equity method investment in a private business, income taxed in foreign jurisdictions at generally lower tax rates, intangible impairments, research and development tax credits and merger expenses. We believe it is beneficial for our management to review our adjusted non-GAAP income tax rate on a consistent basis over periods of time. Items such as those noted above may have a significant impact on our GAAP income tax expense and associated effective tax rate over time. Our adjusted non-GAAP income tax rate is an estimate, and may differ from our effective income tax rate determined under GAAP.

Adjusted EBITDA - is a calculation that adds depreciation expense to our adjusted income from operations. Adjusted EBITDA is a measure that management reviews and utilizes for operational analysis purposes. We believe competitors and others in the financial industry utilize this non-GAAP measure for analysis purposes.

Free Cash Flow - is a calculation that starts with cash flow from operating activities, reduces this amount by our capital expenditures in the applicable period. Free Cash Flow is a measure that management reviews and utilizes for cash flow analysis purposes. We believe competitors and others in the financial industry utilize this non-GAAP measure for analyzing a company's cash flow.

Incremental Shares - is the number of potential shares of common stock issuable upon the exercise of stock options, restricted stock, restricted stock units and warrants which were not included in the calculation of our GAAP diluted shares. We believe competitors and others in the financial industry utilize this non-GAAP measure for analysis purposes.

MACOM TECHNOLOGY SOLUTIONS HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited and in thousands, except per share data)

	Three Months Ended			Six Months Ended	
	April 3, 2020	January 3, 2020	March 29, 2019	April 3, 2020	March 29, 2019
Revenue	\$ 126,424	\$ 119,097	\$ 128,465	\$ 245,521	\$ 279,154
Cost of revenue	63,054	60,893	71,135	123,947	145,199
Gross profit	63,370	58,204	57,330	121,574	133,955
Operating expenses:					
Research and development	35,830	35,158	42,361	70,988	85,885
Selling, general and administrative	31,994	32,340	41,998	64,334	84,518
Restructuring charges	815	1,234	3,182	2,049	8,160
Total operating expenses	68,639	68,732	87,541	137,371	178,563
Loss from operations	(5,269)	(10,528)	(30,211)	(15,797)	(44,608)
Other (expense) income:					
Warrant liability gain (expense)	8,647	(4,087)	(1,607)	4,560	3,862
Interest expense, net	(7,672)	(8,621)	(9,402)	(16,293)	(18,175)
Other expense, net	(4,352)	(3,740)	(4,440)	(8,092)	(9,010)
Total other expense	(3,377)	(16,448)	(15,449)	(19,825)	(23,323)
Loss before income taxes	(8,646)	(26,976)	(45,660)	(35,622)	(67,931)
Income tax expense	1,580	1,386	544	2,966	1,669
Net loss	<u>\$(10,226)</u>	<u>\$ (28,362)</u>	<u>\$ (46,204)</u>	<u>\$(38,588)</u>	<u>\$ (69,600)</u>

Net loss per share:

Basic:

Loss per share - basic	\$ (0.15)	\$ (0.43)	\$ (0.71)	\$ (0.58)	\$ (1.06)
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Diluted:

Loss per share - diluted	\$ (0.28)	\$ (0.43)	\$ (0.71)	\$ (0.64)	\$ (1.12)
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Shares - Basic	66,522	66,240	65,531	66,375	65,404
Shares - Diluted	67,085	66,240	65,531	66,921	65,610

MACOM TECHNOLOGY SOLUTIONS HOLDINGS, INC.**CONDENSED CONSOLIDATED BALANCE SHEETS***(unaudited and in thousands)*

	April 3, 2020	September 27, 2019
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 120,735	\$ 75,519
Short term investments	100,847	101,226
Accounts receivable, net	53,003	69,790
Inventories	99,624	107,880
Income tax receivable	19,119	16,661
Prepays and other current assets	24,655	27,506
Total current assets	417,983	398,582
Property and equipment, net	125,765	132,647
Goodwill and intangible assets, net	470,555	495,955
Deferred income taxes	42,848	43,812
Other investments	14,547	23,613
Other long-term assets	41,101	10,965
TOTAL ASSETS	\$1,112,799	\$ 1,105,574

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:

Current portion of finance lease obligations and other	\$ 1,596	\$ 1,084
Current portion of long-term debt	6,885	6,885
Accounts payable	26,428	24,822
Accrued liabilities	51,028	39,908
Deferred revenue	7,027	2,137
Total current liabilities	92,964	74,836
Finance lease obligations and other, less current portion	29,697	29,506
Long-term debt obligations, less current portion	653,722	655,272
Common stock warrant liability	7,804	12,364
Deferred income taxes	2,051	632
Other long-term liabilities	40,830	19,068
Total liabilities	827,068	791,678
Stockholders' equity	285,731	313,896
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$1,112,799	\$ 1,105,574

MACOM TECHNOLOGY SOLUTIONS HOLDINGS, INC.**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS***(unaudited and in thousands)*

	Six Months Ended	
	April 3, 2020	March 29, 2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$(38,588)	\$(69,600)
Depreciation and amortization	40,241	55,478
Share based compensation	18,426	17,349

Warrant liability gain	(4,560)	(3,862)
Deferred income taxes	2,322	46
Loss on minority equity investment	9,066	8,971
Impairment and restructuring related	—	4,696
Other adjustments to reconcile loss to net operating cash	3,060	2,408
Inventories	8,256	2,904
Accounts receivable	16,787	9,989
Change in other operating assets and liabilities	7,928	(1,541)
Net cash provided by operating activities	62,938	26,838
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(9,036)	(22,600)
Sales, purchases and maturities of investments	(375)	(504)
Acquisition of businesses, net	—	(375)
Proceeds from sale of assets	363	—
Net cash used in investing activities	(9,048)	(23,479)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments of long-term debt	(3,442)	(3,442)
Payments on finance leases and other	(871)	(518)
Proceeds from stock option exercises and employee stock purchases	2,052	2,416
Repurchase of common stock - tax withholdings on equity awards	(5,949)	(3,426)
Other adjustments	—	(577)
Net used in financing activities	(8,210)	(5,547)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(464)	189
NET CHANGE IN CASH AND CASH EQUIVALENTS	45,216	(1,999)
CASH AND CASH EQUIVALENTS — Beginning of period	75,519	94,676
CASH AND CASH EQUIVALENTS — End of period	\$ 120,735	\$ 92,677

MACOM TECHNOLOGY SOLUTIONS HOLDINGS, INC.
RECONCILIATIONS OF GAAP TO NON-GAAP RESULTS
(unaudited and in thousands, except per share data)

	Three Months Ended						Six Months Ended			
	April 3, 2020		January 3, 2020		March 29, 2019		April 3, 2020		March 29, 2019	
	%		%		%		%		%	
	Amount	Revenue	Amount	Revenue	Amount	Revenue	Amount	Revenue	Amount	Revenue
Gross profit - GAAP	\$63,370	50.1	\$58,204	48.9	\$57,330	44.6	\$121,574	49.5	\$133,955	48.0
Amortization expense	4,347	3.4	4,420	3.7	7,872	6.1	8,767	3.6	15,925	5.7
Share-based and non-cash compensation expense	1,153	0.9	1,052	0.9	942	0.7	2,205	0.9	1,475	0.5
Impairment related charges	—	—	—	—	—	—	—	—	(991)	(0.4)
Acquisition, integration and restructuring related costs	—	—	—	—	—	—	—	—	547	0.2
Adjusted gross profit (Non-GAAP)	\$68,870	54.5	\$63,676	53.5	\$66,144	51.5	\$132,546	54.0	\$150,911	54.1

	Three Months Ended						Six Months Ended			
	April 3, 2020		January 3, 2020		March 29, 2019		April 3, 2020		March 29, 2019	
	%		%		%		%		%	
	Amount	Revenue	Amount	Revenue	Amount	Revenue	Amount	Revenue	Amount	Revenue
Operating expenses - GAAP	\$68,639	54.3	\$68,732	57.7	\$87,541	68.1	\$137,371	56.0	\$178,563	64.0
Amortization expense	(8,071)	(6.4)	(8,654)	(7.3)	(11,883)	(9.2)	(16,726)	(6.8)	(24,402)	(8.7)
Share-based and non-cash compensation expense	(10,431)	(8.3)	(8,117)	(6.8)	(8,279)	(6.4)	(18,548)	(7.6)	(16,808)	(6.0)
Impairment and restructuring charges	(815)	(0.6)	(1,234)	(1.0)	(3,182)	(2.5)	(2,049)	(0.8)	(8,160)	(2.9)
Litigation costs	—	—	—	—	(16)	—	—	—	(167)	(0.1)
Acquisition, integration and restructuring related costs	(22)	—	(22)	—	(848)	(0.7)	(44)	—	(2,821)	(1.0)
Adjusted operating expenses (Non-GAAP)	\$49,300	39.0	\$50,705	42.6	\$63,333	49.3	\$100,004	40.7	\$126,205	45.2

	Three Months Ended						Six Months Ended			
	April 3, 2020		January 3, 2020		March 29, 2019		April 3, 2020		March 29, 2019	
	%		%		%		%		%	
	Amount	Revenue	Amount	Revenue	Amount	Revenue	Amount	Revenue	Amount	Revenue

Loss from operations - GAAP	\$ (5,269)	(4.2)	\$ (10,528)	(8.8)	\$ (30,211)	(23.5)	\$ (15,797)	(6.4)	\$ (44,608)	(16.0)
Amortization expense	12,418	9.8	13,074	11.0	19,756	15.4	25,493	10.4	40,327	14.4
Share-based and non-cash compensation expense	11,585	9.2	9,169	7.7	9,190	7.2	20,753	8.5	18,252	6.5
Impairment and restructuring charges	815	0.6	1,234	1.0	3,182	2.5	2,049	0.8	7,169	2.6
Litigation costs	—	—	—	—	16	—	—	—	167	0.1
Acquisition, integration and restructuring related costs	22	—	22	—	879	0.7	44	—	3,398	1.2
Adjusted income from operations (Non-GAAP)	\$ 19,571	15.5	\$ 12,971	10.9	\$ 2,812	2.2	\$ 32,542	13.3	\$ 24,705	8.8
Depreciation expense	7,319	5.8	7,429	6.2	7,539	5.9	14,748	6.0	15,151	5.4
Adjusted EBITDA (Non-GAAP)	\$ 26,890	21.3	\$ 20,400	17.1	\$ 10,351	8.1	\$ 47,290	19.3	\$ 39,856	14.3

	Three Months Ended						Six Months Ended			
	April 3, 2020		January 3, 2020		March 29, 2019		April 3, 2020		March 29, 2019	
	%		%		%		%		%	
	Amount	Revenue	Amount	Revenue	Amount	Revenue	Amount	Revenue	Amount	Revenue
Net loss - GAAP	\$ (10,226)	(8.1)	\$ (28,362)	(23.8)	\$ (46,204)	(36.0)	\$ (38,588)	(15.7)	\$ (69,600)	(24.9)
Amortization expense	12,418	9.8	13,074	11.0	19,756	15.4	25,493	10.4	40,327	14.4
Share-based and non-cash compensation expense	11,585	9.2	9,169	7.7	9,190	7.2	20,753	8.5	18,252	6.5
Impairment and restructuring charges	815	0.6	1,234	1.0	3,182	2.5	2,049	0.8	7,169	2.6
Warrant liability (gain) expense	(8,647)	(6.8)	4,087	3.4	1,607	1.3	(4,560)	(1.9)	(3,862)	(1.4)
Non-cash interest, net	1,015	0.8	1,015	0.9	1,015	0.8	2,031	0.8	2,031	0.7
Litigation costs	—	—	—	—	16	—	—	—	167	0.1
Acquisition, integration and restructuring related costs	22	—	22	—	879	0.7	44	—	3,398	1.2
Equity investment, sale of business losses and other	4,354	3.4	3,749	3.1	4,415	3.4	8,103	3.3	8,860	3.2
Tax effect of non-GAAP adjustments	546	0.4	957	0.8	1,552	1.2	1,502	0.6	1,556	0.6
Adjusted net income (loss) (Non-GAAP)	\$ 11,882	9.4	\$ 4,945	4.2	\$ (4,592)	(3.6)	\$ 16,827	6.9	\$ 8,298	3.0

	Three Months Ended						Six Months Ended			
	April 3, 2020		January 3, 2020		March 29, 2019		April 3, 2020		March 29, 2019	
	Income (loss) per diluted share		Income (loss) per diluted share		Income (loss) per diluted share		Income (loss) per diluted share		Income (loss) per diluted share	
	Net Income (Loss)		Net Income (Loss)		Net Income (Loss)		Net Income (Loss)		Net Income (Loss)	
Net loss - GAAP	\$ (10,226)		\$ (28,362)		\$ (46,204)		\$ (38,588)		\$ (69,600)	
Warrant liability gain	(8,647)		—		—		(4,560)		(3,862)	
Net loss - diluted	\$ (18,873)	\$ (0.28)	\$ (28,362)	\$ (0.43)	\$ (46,204)	\$ (0.71)	\$ (43,148)	\$ (0.64)	\$ (73,462)	\$ (1.12)
Adjusted net income (loss) (Non-GAAP)	\$ 11,882	\$ 0.17	\$ 4,945	\$ 0.07	\$ (4,592)	\$ (0.07)	\$ 16,827	\$ 0.25	\$ 8,298	\$ 0.13

	Three Months Ended			Six Months Ended	
	April 3, 2020	January 3, 2020	March 29, 2019	April 3, 2020	March 29, 2019
	Shares	Shares	Shares	Shares	Shares
Diluted shares - GAAP	67,085	66,240	65,531	66,921	65,610
Incremental shares	1,010	1,292	425	887	155
Adjusted diluted shares (Non-GAAP)	68,095	67,532	65,956	67,808	65,765

	Three Months Ended						Six Months Ended			
	April 3, 2020		January 3, 2020		March 29, 2019		April 3, 2020		March 29, 2019	
	Amount	% Revenue	Amount	% Revenue	Amount	% Revenue	Amount	% Revenue	Amount	% Revenue
Interest expense, net - GAAP	\$ 7,672	6.1	\$ 8,621	7.2	\$ 9,402	7.3	\$ 16,293	6.6	\$ 18,175	6.5
Non-cash interest expense	(1,015)	(0.8)	(1,015)	(0.9)	(1,016)	(0.8)	(2,031)	(0.8)	(2,031)	(0.7)
Adjusted interest expense (Non-GAAP)	\$ 6,657	5.3	\$ 7,606	6.4	\$ 8,386	6.5	\$ 14,262	5.8	\$ 16,144	5.8

	Three Months Ended			Six Months Ended	
	April 3, 2020	January 3, 2020	March 29, 2019	April 3, 2020	March 29, 2019

	Amount	% Revenue	Amount	% Revenue	Amount	% Revenue	Amount	% Revenue	Amount	% Revenue
Cash flow from operations	\$25,280	20.0	\$37,658	31.6	\$23,929	18.6	\$62,938	25.6	\$26,838	9.6
Capital expenditures	(4,788)	(3.8)	(4,248)	(3.6)	(11,079)	(8.6)	(9,036)	(3.7)	(22,600)	(8.1)
Free cash flow (Non-GAAP)	\$20,492	16.2	\$33,410	28.1	\$12,850	10.0	\$53,902	22.0	\$ 4,238	1.5
Free cash flow as a percentage of Adjusted net income	172%		676%		280%		320%		51%	

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MACOM Technology Solutions Holdings, Inc.

Stephen Ferranti

Vice President of Investor Relations

P: 978-656-2977

E: stephen.ferranti@macom.com

Source: MACOM Technology Solutions Holdings, Inc.