



Partners from RF to Light

November 14, 2017

MACOM Reports Fiscal Fourth Quarter and Fiscal Year 2017 Financial Results

LOWELL, Mass.--(BUSINESS WIRE)-- MACOM Technology Solutions Holdings, Inc. (NASDAQ: MTSI) ("MACOM"), a leading supplier of high-performance RF, microwave, millimeterwave and lightwave semiconductor products, today announced its financial results for its fiscal fourth quarter and fiscal year ended September 29, 2017.

Fiscal Year 2017 GAAP Results

- Revenue was \$698.8 million, an increase of 28.4%, compared to \$544.3 million in fiscal year 2016;
- Gross profit was \$326.9 million, an increase of 16.1%, compared to \$281.6 million in fiscal year 2016;
- Fiscal year 2017 gross margin was 46.8%, compared to 51.7% in fiscal year 2016;
- Operating loss was \$16.1 million, compared to operating income of \$13.2 million in fiscal year 2016; and
- Fully diluted net loss from continuing operations was \$2.48 per share, compared to a net loss per fully diluted share from continuing operations of \$0.07 per share in fiscal year 2016.

Fiscal Year 2017 Adjusted Non-GAAP Results

- Adjusted gross margin was 58.1%, compared to 58.1% in fiscal year 2016;
- Adjusted operating income was \$180.5 million, or 25.8% of revenue, compared to \$133.3 million, or 24.5% of revenue, in fiscal year 2016;
- Adjusted net income was \$145.5 million, or \$2.32 per diluted share, compared to adjusted net income of \$105.5 million, or \$1.91 per diluted share in fiscal year 2016, growing 37.9%; and
- Adjusted EBITDA was \$213.9 million, compared to \$159.6 million in fiscal year 2016, growing 34%.

Fourth Quarter Fiscal Year 2017 GAAP Results

- Revenue was \$166.4 million, an increase of 9.0%, compared to \$152.7 million in the previous year fiscal fourth quarter and a decrease of 14.5% compared to \$194.6 million in the prior fiscal quarter;
- Gross profit was \$86.9 million, an increase of 6.2% compared to \$81.8 million in the previous year fiscal fourth quarter, and a decrease of 6.2% compared to \$92.6 million in the prior fiscal quarter;
- Gross margin was 52.2%, compared to 53.6% in the previous year fiscal fourth quarter and 47.6% in the prior fiscal quarter;
- Operating income was \$0.3 million, compared to operating income of \$10.1 million in the previous year fiscal fourth quarter and an operating income of \$6.6 million in the prior fiscal quarter; and
- Net loss from continuing operations was \$1,000, or \$0.21 loss per diluted share, compared to net income from continuing operations of \$3.9 million, or \$0.07 income per diluted share, in the previous year fiscal fourth quarter and net loss from continuing operations of \$14.0 million, or \$0.22 loss per diluted share, in the prior fiscal quarter.

Fourth Quarter Fiscal Year 2017 Adjusted Non-GAAP Results

- Adjusted gross margin was 58.1%, compared to 58.5% in the previous year fiscal fourth quarter and 58.5% in the prior fiscal quarter;
- Adjusted operating income was \$38.0 million, or 22.8% of revenue, compared to \$38.3 million, or 25.1% of revenue, in the previous year fiscal fourth quarter and \$52.9 million, or 27.2% of revenue, in the prior fiscal quarter;
- Adjusted net income was \$30.3 million, or \$0.46 per diluted share, compared to adjusted net income of \$30.1 million, or \$0.54 per diluted share, in the previous year fiscal fourth quarter and adjusted net income of \$43.9 million, or \$0.67 per diluted share, in the prior fiscal quarter; and
- Adjusted EBITDA was \$47.3 million, compared to \$44.9 million for the previous year fiscal fourth quarter and \$61.6 million for the prior fiscal quarter.

Management Commentary

"As expected, fiscal Q4 was a very challenging quarter, as we navigated through a hard pause in network infrastructure demand in China, impacting our entire range of Networks businesses," remarked John Croteau, President and CEO of MACOM. "Networks was down 25% sequentially, though it still grew 3% year on year. Somewhat offsetting the decline in Networks, we had a very strong quarter in our A&D and multi-market businesses, which grew 32% and 16% year-over-year, respectively.

"In the December quarter, we expect Networks demand to remain soft, and the A&D and Multi-market businesses to return to more normalized levels. We expect the December quarter will be the bottom of the down-cycle in network infrastructure, which appears to be on the verge of turning.

"We see 2018 providing a more positive environment. In addition to expecting a cyclical recovery in Telecom networks, we've expanded our customer footprint, and several of our secular growth drivers look to be approaching major inflection

points as we secure deals with industry franchise players. We believe we are poised to be a major beneficiary of the upgrade from 40G to 100G CWDM that's well underway inside the Data Center."

Mr. Croteau concluded, "While the near-term environment remains challenging, we believe we have the design wins and customer commitments to support market share growth in areas of existing strength as well as across new growth engines. When global demand recovers from the temporary pause in China, MACOM will return to our long track record of outperformance over the course of 2018."

Business Outlook

For the fiscal first quarter ending December 29, 2017, we expect revenue to be in the range of \$130 million to \$136 million. Adjusted gross margin is expected to be between 55% and 58%, and adjusted earnings per share between \$0.10 and \$0.16, on an anticipated 66.5 million fully diluted shares outstanding.

Conference Call

MACOM will host a conference call on Tuesday, November 14, 2017 at 5:00 p.m. Eastern Time to discuss its fiscal fourth quarter and fiscal year 2017 financial results and business outlook. Investors and analysts may join the conference call by dialing 1-877-837-3908 and providing the passcode 2098371.

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 2098371. 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 management standard. MACOM has design centers and sales offices throughout North America, Europe, Asia and Australia.

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Special Note Regarding Forward-Looking Statements

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 stated business outlook and future results of operations, our expectations for business and market conditions, positioning and growth aspirations in the Aerospace & Defense, Multi-market, Networks, Telecom, Mobile Infrastructure, Active Antenna, PON, Metro-Long Haul and Data Center markets and elsewhere, our expectation that the December quarter will be the bottom of the down-cycle in network infrastructure, any expectations as to our relationships with customers and vendors, our future market share, the timing or nature of future Data Center and network upgrade cycles, customer order activity and customer adoption of our solutions, our expectations for the easing of outsourced manufacturing partner supply constraints, our expectations for increasing unit shipments of 25G lasers and other products from our Lowell fab, our expectations for maximizing the value of our divestment of AppliedMicro's Compute business, our future investment decisions, our GaN strategy and expectations for execution on that strategy, the expected outcome of our ongoing litigation against Infineon 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.

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 expressed in any forward-looking statement. Although MACOM believes that the expectations reflected in the forward-looking statements are reasonable, it cannot and does not guarantee future events, results, actions, levels of activity, performance or achievements. Readers are cautioned not to place undue reliance on these forward-looking statements. A number of important factors could cause actual results to differ materially from those indicated by the forward-looking statements, including the potential that we are unable to identify and timely enter into new markets for our products, such as our publicly-announced market opportunities in Cloud Data Centers, 100G optical networks, 10G PON, GaN technology and Active Antennas, the potential that we are unable to timely deliver the quantities of our products targeting these or other applications at the right price point due to design challenges, manufacturing bottlenecks, supply shortages, yield issues or otherwise, the potential that the expected rollout of Cloud Data Center build-outs, 5G network upgrades, fiber-to-the-home network technology or other new optical or other network technology deployments in the U.S., China, Japan and other geographies fails to occur, occurs more slowly than we expect or does not result in the amount or type of new business we anticipate, lower than expected demand in the Cloud Data Center market, the optical network infrastructure market or any or all of our primary end markets or from any or all of our large OEM customers based on seasonal effects, regulatory action or inaction, technology shifts, standards changes, macro-economic weakness or otherwise, the potential for greater than expected pricing pressure and average selling price erosion based on attempts to win or maintain market share, competitive factors, technology shifts or otherwise, our potential inability to ramp key new products into volume production with acceptable manufacturing yields to satisfy key customer demand in a timely fashion, the potential for inventory obsolescence and related write-offs, the expense, business disruption or other impact of any current or future investigations, administrative actions, litigation or enforcement proceedings we may be involved in, the potential loss of access to any in-licensed intellectual property or inability to license technology we may require on reasonable terms, the impact of any claims of intellectual property infringement or misappropriation, which could require us to pay substantial damages for infringement, expend significant resources in prosecuting or defending such matters or developing non-infringing technology, incur material liability for royalty or license payments, or prevent us from selling certain of our products, greater than expected dilutive effect on earnings of our equity issuances, outstanding indebtedness and related interest expense and other costs, our failure to realize the expected economies of scale, lowered production cost and other anticipated benefits of our previously announced GaN intellectual property licensing program, the potential for defense spending cuts, program delays, cancellations or sequestration, failures or delays by any customer in winning business or to make purchases from us in support of such business, lack of adoption or delayed adoption by customers and industries we serve of Cloud Data Centers, MACsec, single-Lambda PAM4, MMICs, Active Antennas, SPAR tiles, GaN, InP lasers or other solutions offered by us, failures or delays in porting and qualifying GaN or InP process technology to our fabrication facilities or third party facilities and achieving anticipated manufacturing economies of scale, lower than expected utilization and absorption in our manufacturing facilities, lack of success or slower than expected success in our new product development or new product introduction efforts, loss of key personnel to competitors or otherwise, failure of any announced transaction to close in accordance with its terms, failure to successfully integrate acquired companies, technologies or products or realize synergies associated with acquisitions, the potential that we will experience difficulties in managing the personnel and operations associated with our acquisitions, loss of business due to competitive factors, product or technology obsolescence, customer program shifts or otherwise, the potential for a shift in the mix of products sold in any period toward lower-margin products or a shift in the geographical mix of our revenues, the impact of any executed or abandoned acquisition, divestiture, joint venture, financing or restructuring activity, the impact of supply shortages or other disruptions in our internal or outsourced supply chain, the impact of changes in export, environmental or other laws applicable to us, the relative success of our cost-savings initiatives, as well as those factors described in "Risk Factors" in MACOM's filings with the Securities and Exchange Commission ("SEC"), including its Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2017, as filed with the SEC on August 2, 2017, its Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2017, as filed with the SEC on April 26, 2017, its Quarterly Report on Form 10-Q for the fiscal quarter ended December 30, 2016, as filed with the SEC on February 1, 2017, and its Annual Report on Form 10-K for the fiscal year ended September 30, 2016, as filed on November 17, 2016. 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 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, other costs and the tax effect of each adjustment. The non-GAAP information includes consulting agreement related income associated with the Automotive divestiture.

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. The expense is not considered by management in making operating decisions, and the expense is non-cash.

Share-Based and Non-cash Compensation Expense - includes share based compensation including awards that are equity and liability classified on our balance sheet as well as non-cash compensation expense primarily associated with amounts due to employees of an acquired business that were placed in escrow at the time of the acquisition and amortized as expense over a 2-year period. 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 Charges - includes expenses associated with our strategic decision to exit a product line and end programs with a license and technology transfer as well as certain related fixed assets and inventory. We believe these charges are one-time in nature and 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 or administrative footprints. 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 and Integration Related Costs - includes such items as professional fees incurred in connection with pre-acquisition and integration specific activities, post-acquisition employee retention amounts, 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 or are expected to have a diminishing contribution during the integration period and the amortization of the fair market step-up value of acquired inventory and fixed assets. We believe the exclusion of these items is useful in providing management a basis to evaluate ongoing operating activities and strategic decision making.

Discontinued Operations excluding consulting income - includes the profit and loss amounts of discontinued operations, with the exception of consulting income associated with a consulting agreement we entered into at the time of our Automotive business divestiture. We believe excluding gains and losses associated with historically divested businesses from our net income provides management with a comparable basis to our current ongoing operating activities. We do not exclude the consulting agreement income classified as discontinued operations because management views this income as part of our ongoing operations and correlated with future operations since we both derive income and incur ongoing costs associated with the consulting services available under the consulting agreement.

Other - primarily includes transaction expenses incurred as part of our Credit Agreement Amendments in the fourth fiscal quarter of 2016 as well as the second and third fiscal quarters of 2017. We believe these amounts are not correlated to future business operations and including such charges does not reflect our ongoing operations.

Tax Effect of Non-GAAP Adjustments - adjustments to arrive at an estimate of our Adjusted Non-GAAP 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 10% for our second and third fiscal quarters of 2017, 12% for our first fiscal quarter of 2017 and 15% for our fiscal year 2016. 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 is excluded from our Adjusted Non-GAAP net Income and is neither deductible nor taxable for tax purposes, income taxed in foreign jurisdictions at generally lower tax rates, non-deductible compensation, research and development tax credits and merger expenses, as well as the establishment of a valuation allowance against our U.S. deferred tax assets during the three months ended March 31, 2017. 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 U.S. 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 and consulting agreement income to our Adjusted Non-GAAP 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 and adds AppliedMicro transaction related payments. 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.

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

	Three Months Ended			Twelve Months Ended	
	September 29, 2017	June 30, 2017	September 30, 2016	September 29, 2017	September 30, 2016
Revenue	\$ 166,381	\$ 194,555	\$ 152,697	\$ 698,772	\$ 544,338
Cost of revenue	79,485	101,926	70,893	371,888	262,729
Gross profit	86,896	92,629	81,804	326,884	281,609
Operating expenses:					
Research and development	39,398	38,729	30,109	147,986	107,698
Selling, general and administrative	42,398	46,666	40,265	187,886	145,433
Impairment charges	4,352	—	—	4,352	11,765
Restructuring charges	401	586	1,365	2,744	3,465
Total operating expenses	86,549	85,981	71,739	342,968	268,361
Income (loss) from operations	347	6,648	10,065	(16,084)	13,248
Other income (expense):					
Warrant liability gain (expense)	13,958	(9,085)	(12,691)	(2,522)	(16,431)
Interest expense, net	(6,953)	(7,178)	(5,310)	(28,855)	(18,427)
Other (expense) income, net	(1)	(1,139)	5	(2,044)	39
Total other income (expense)	7,004	(17,402)	(17,996)	(33,421)	(34,819)
Income (loss) before income taxes	7,351	(10,754)	(7,931)	(49,505)	(21,571)
Income tax expense (benefit)	7,352	3,223	(11,804)	100,911	(17,983)
Income (loss) from continuing operations	(1)	(13,977)	3,873	(150,416)	(3,588)
(Loss) income from discontinued operations	(10,719)	(13,700)	1,228	(19,077)	5,022
Net (loss) income	<u>\$ (10,720)</u>	<u>\$ (27,677)</u>	<u>\$ 5,101</u>	<u>\$ (169,493)</u>	<u>\$ 1,434</u>
Net (loss) income per share:					
Basic:					
Income (loss) from continuing operations	\$ (0.00)	\$ (0.22)	\$ 0.07	\$ (2.48)	\$ (0.07)
(Loss) income from discontinued operations	(0.17)	(0.21)	0.02	(0.31)	0.09
(Loss) income per share - basic	<u>\$ (0.17)</u>	<u>\$ (0.43)</u>	<u>\$ 0.10</u>	<u>\$ (2.79)</u>	<u>\$ 0.03</u>
Diluted:					
Income (loss) from continuing operations	\$ (0.21)	\$ (0.22)	\$ 0.07	\$ (2.48)	\$ (0.07)
(Loss) income from discontinued operations	(0.16)	(0.21)	0.02	(0.31)	0.09
(Loss) income per share - diluted	<u>\$ (0.38)</u>	<u>\$ (0.43)</u>	<u>\$ 0.09</u>	<u>\$ (2.79)</u>	<u>\$ 0.03</u>
Shares - Basic	<u>64,243</u>	<u>64,019</u>	<u>53,676</u>	<u>60,704</u>	<u>53,364</u>
Shares - Diluted	<u>65,156</u>	<u>64,019</u>	<u>55,285</u>	<u>60,704</u>	<u>53,364</u>

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

	September 29, 2017	September 30, 2016
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 130,104	\$ 332,977

Short term investments	84,121	23,776
Accounts receivable, net	136,096	108,331
Inventories	136,074	114,935
Income tax receivable	18,493	21,607
Assets held for sale, current	35,571	—
Prepays and other current assets	22,438	11,318
Total current assets	562,897	612,944
Property and equipment, net	131,019	99,167
Goodwill and intangible assets, net	934,857	379,626
Deferred income taxes	948	89,606
Other long-term assets	7,402	7,208
TOTAL ASSETS	\$ 1,637,123	\$ 1,188,551

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:

Current portion of lease payable	\$ 815	\$ 1,152
Current portion of long-term debt obligations	6,885	6,051
Liabilities held for sale	2,144	—
Accounts payable, accrued liabilities and other	107,275	84,947
Total current liabilities	117,119	92,150
Lease payable, less current portion	17,275	2,463
Long-term debt obligations, less current portion	661,471	573,882
Common stock warrant liability	40,775	38,253
Deferred income taxes	15,172	11,765
Other long-term liabilities	7,937	7,254
Total liabilities	859,749	725,767
Stockholders' equity	777,374	462,784
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 1,637,123	\$ 1,188,551

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

	Twelve Months Ended	
	September 29, 2017	September 30, 2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (169,493)	\$ 1,434
Adjustments to reconcile (loss) income to net operating cash	253,377	118,813
Change in operating assets and liabilities	(22,834)	(41,015)
Net cash provided by operating activities	61,050	79,232
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of businesses, net	(270,008)	(85,517)
Purchases, sales and maturities of investments	(60,493)	15,257
Proceeds from discontinued operations	25,520	7,500
Proceeds from sale of assets	215	—
Purchases of property and equipment	(32,804)	(31,326)
Acquisition of intellectual property	—	(777)
Net cash used in investing activities	(337,570)	(94,863)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from notes payable	96,558	247,625
Payments of notes payable and assumed debt	(5,884)	(14,076)
Proceeds from stock option exercises and employee stock purchases	8,281	5,460
Repurchase of common stock	(18,534)	(9,995)
Other adjustments	(6,768)	(1,660)
Net cash provided by financing activities	73,653	227,354
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(6)	(1,058)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(202,873)	210,665
CASH AND CASH EQUIVALENTS — Beginning of period	332,977	122,312
CASH AND CASH EQUIVALENTS — End of period	<u>\$ 130,104</u>	<u>\$ 332,977</u>

Supplemental disclosure of non-cash activities

Issuance of common stock in connection with the AppliedMicro Acquisition	465,082	—
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MACOM TECHNOLOGY SOLUTIONS HOLDINGS, INC.
RECONCILIATION OF GAAP TO NON-GAAP RESULTS
(unaudited and in thousands, except per share data)

		Three Months Ended			Twelve Months Ended						
		September 29, 2017		June 30, 2017		September 30, 2016		September 29, 2017		September 30, 2016	
		Amount	% Revenue	Amount	% Revenue	Amount	% Revenue	Amount	% Revenue	Amount	% Revenue

income	1,875	1.1	1,875	1.0	1,880	1.2	7,500	1.1	7,516	1.4
Adjusted EBITDA (Non-GAAP)	\$47,295	28.4	\$61,553	31.6	\$44,888	29.4	\$ 213,871	30.6	\$159,553	29.3

	Three Months Ended						Twelve Months Ended			
	September 29, 2017		June 30, 2017		September 30, 2016		September 29, 2017		September 30, 2016	
	Amount	% Revenue	Amount	% Revenue	Amount	% Revenue	Amount	% Revenue	Amount	% Revenue
Net (loss) income - GAAP	\$ (10,720)	(6.4)	\$ (27,677)	(14.2)	\$ 5,101	3.3	\$ (169,493)	(24.3)	\$ 1,434	0.3
Amortization expense	19,585	11.8	19,248	9.9	12,864	8.4	65,742	9.4	50,255	9.2
Share-based and non-cash compensation	8,538	5.1	10,789	5.5	9,727	6.4	41,638	6.0	36,450	6.7
Impairment and restructuring charges	4,753	2.9	586	0.3	1,365	0.9	7,096	1.0	17,180	3.2
Warrant liability expense	(13,958)	(8.4)	9,085	4.7	12,691	8.3	2,522	0.4	16,432	3.0
Non-cash interest, net	827	0.5	1,122	0.6	503	0.3	3,373	0.5	1,731	0.3
Litigation costs	675	0.4	569	0.3	1,037	0.7	2,284	0.3	2,194	0.4
Acquisition and integration related costs	3,843	2.3	14,380	7.4	2,688	1.8	78,664	11.3	13,406	2.5
Discontinued operations, excluding consulting income	12,594	7.6	15,575	8.0	647	0.4	26,577	3.8	2,478	0.5
Other	218	0.1	1,856	1.0	573	0.4	3,131	0.4	573	0.1
Tax effect of non-GAAP adjustments	3,981	2.4	(1,653)	(0.8)	(17,114)	(11.2)	83,943	12.0	(36,605)	(6.7)
Adjusted net income (Non-GAAP)	\$ 30,336	18.2	\$ 43,880	22.6	\$ 30,082	19.7	\$ 145,477	20.8	\$ 105,528	19.4

	Three Months Ended						Twelve Months Ended			
	September 29, 2017		June 30, 2017		September 30, 2016		September 29, 2017		September 30, 2016	
	Net Income (Loss)	Income (loss) per diluted share	Net Income (Loss)	Income (loss) per diluted share	Net Income (Loss)	Income (loss) per diluted share	Net Income (Loss)	Income (loss) per diluted share	Net Income (Loss)	Income (loss) per diluted share
Net (loss) income - GAAP	\$ (10,720)		\$ (27,677)		\$ 5,101		\$ (169,493)		\$ 1,434	
Warrant liability gain	(13,958)		—		—		—		—	
Net (loss) income - diluted	\$ (24,678)	\$ (0.38)	\$ (27,677)	\$ (0.43)	\$ 5,101	\$ 0.09	\$ (169,493)	\$ (2.79)	\$ 1,434	\$ 0.03
Adjusted (Non-GAAP)	\$ 30,336	\$ 0.46	\$ 43,880	\$ 0.67	\$ 30,082	\$ 0.54	\$ 145,477	\$ 2.32	\$105,528	\$ 1.91

	Three Months Ended			Twelve Months Ended	
	September 29, 2017	June 30, 2017	September 30, 2016	September 29, 2017	September 30, 2016
	Shares	Shares	Shares	Shares	Shares
Diluted shares - GAAP	64,243	64,019	55,285	60,704	53,364
Incremental shares	1,687	1,916	—	1,877	1,855
Adjusted diluted shares (Non-					

GAAP) 65,930 65,935 55,285 62,581 55,219

	Three Months Ended						Twelve Months Ended			
	September 29, 2017		June 30, 2017		September 30, 2016		September 29, 2017		September 30, 2016	
	Amount	% Revenue	Amount	% Revenue	Amount	% Revenue	Amount	% Revenue	Amount	% Revenue
Interest expense, net - GAAP	\$ 6,953	4.2	\$ 7,178	3.7	\$ 5,512	3.6	\$ 28,855	4.1	\$ 18,942	3.5
Non-cash interest expense	(827)	(0.5)	(1,122)	(0.6)	(503)	(0.3)	(3,373)	(0.5)	(1,731)	(0.3)
Adjusted Interest Expense (Non-GAAP)	\$ 6,126	3.7	\$ 6,056	3.1	\$ 5,009	3.3	\$ 25,482	3.6	\$ 17,211	3.2

	Three Months Ended						Twelve Months Ended			
	September 29, 2017		June 30, 2017		September 30, 2016		September 29, 2017		September 30, 2016	
	Amount	% Revenue	Amount	% Revenue	Amount	% Revenue	Amount	% Revenue	Amount	% Revenue
Cash flow from operations	\$ 12,361	7.4	\$ 27,850	14.3	\$ 24,885	16.3	\$ 61,050	8.7	\$ 79,232	14.6
Capital expenditures	(8,308)	(5.0)	(8,201)	(4.2)	(7,226)	(4.7)	(32,804)	(4.7)	(32,103)	(5.9)
AppliedMicro transaction related payments	3,426	2.1	419	0.2	—	—	31,959	4.6	—	—
Free cash flow (Non-GAAP)	\$ 7,479	4.5	\$ 20,068	10.3	\$ 17,659	11.6	\$ 60,205	8.6	\$ 47,129	8.7
Free cash flow as a percentage of adjusted net income	25 %		46%		59 %		41 %		45 %	

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