

Marvell Technology Group

Investor Relations

FQ3' 2013 Earnings Update



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Safe Harbor: Forward-Looking Statements

All statements included in these slides, other than statements or characterizations of historical fact, are forward-looking statements within the meaning of the federal securities laws, including the Private Securities Litigation Reform Act of 1995. These forward-looking statements include, among others, guidance regarding our future financial performance including revenue, gross margin, R&D expense, SG&A expense, other income/expense, tax expense and EPS for the fourth quarter of fiscal 2013; payment and timing of a quarterly dividend; and expectations in each of the end markets we serve (Mobile & Wireless; Storage; and Networking). These forward-looking statements are not guarantees of results and should not be considered as an indication of future performance. Actual events or results may differ materially from those described in these slides due to a number risk and uncertainties including, among others, our reliance on a few customers for a significant portion of our revenue; costs 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; 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-Q for the quarter ended July 28, 2012 and subsequent filings with the SEC, which discuss some of the important risk factors that could contribute to such differences or otherwise affect our business, results of operations and financial condition. We undertake no obligation to revise or update publicly any forward-looking statement to reflect future events or circumstances, including the financial outlook for the fourth quarter of fiscal 2013 contained herein.

We intend to pay a regular quarterly cash dividend on our common shares 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 November 15, 2012. Our financial outlook for the fourth quarter of fiscal 2013 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.

FQ3' 2013 Financial Results

Key Highlights from FQ3' 2013 Results

Revenue

- Revenue of \$781M a decrease of -4% sequentially
- +30% sequential increase in 500GB per platter volume
- +25% sequential growth in SSD revenue
- Over +10% sequential growth in Enterprise Switching

Non-GAAP EPS & Profitability

- EPS: \$0.20
- Gross margin: 52.3%
- Operating margin: 14%
- FCF margin: 14%

Shareholder Capital Returns

- Share repurchases: 23 million shares
- Quarterly payment of \$33 million in dividends or 6 cents per share

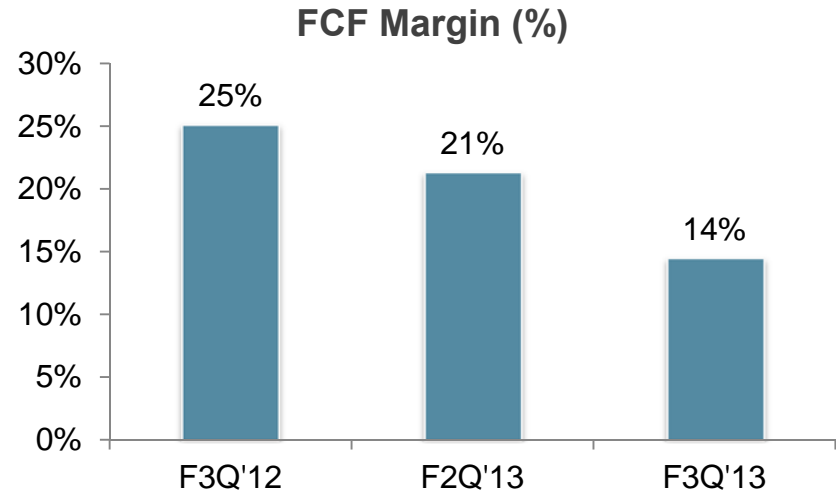
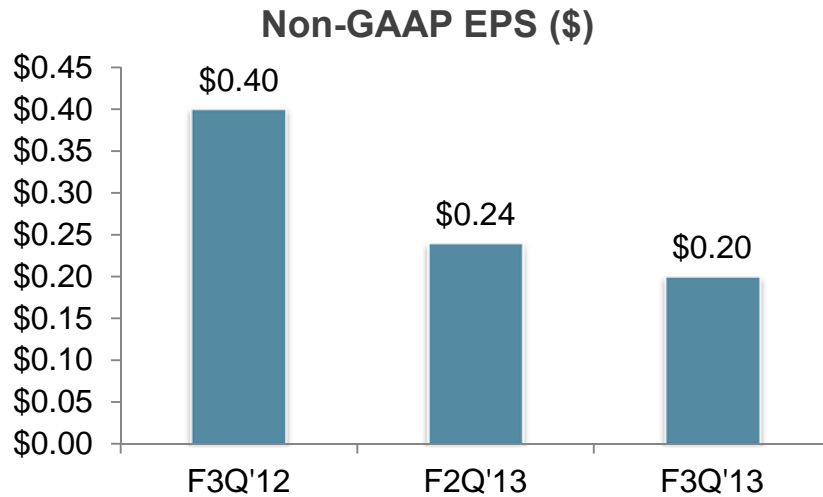
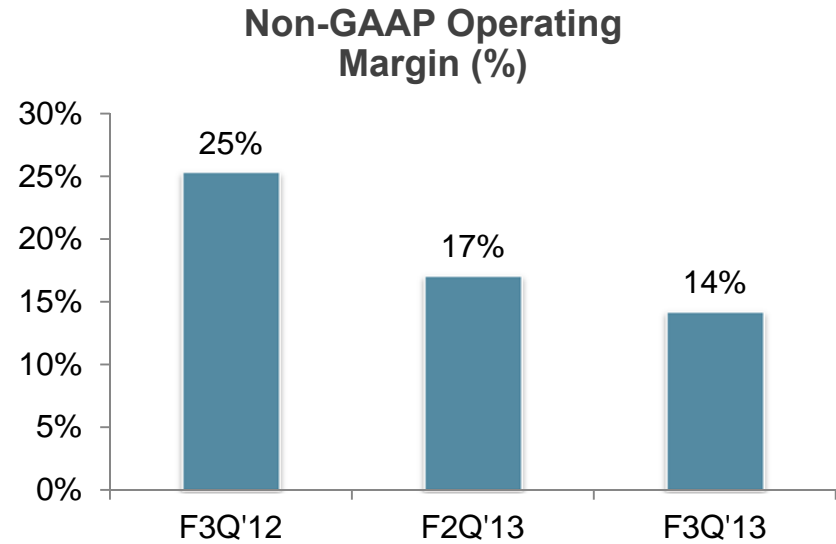
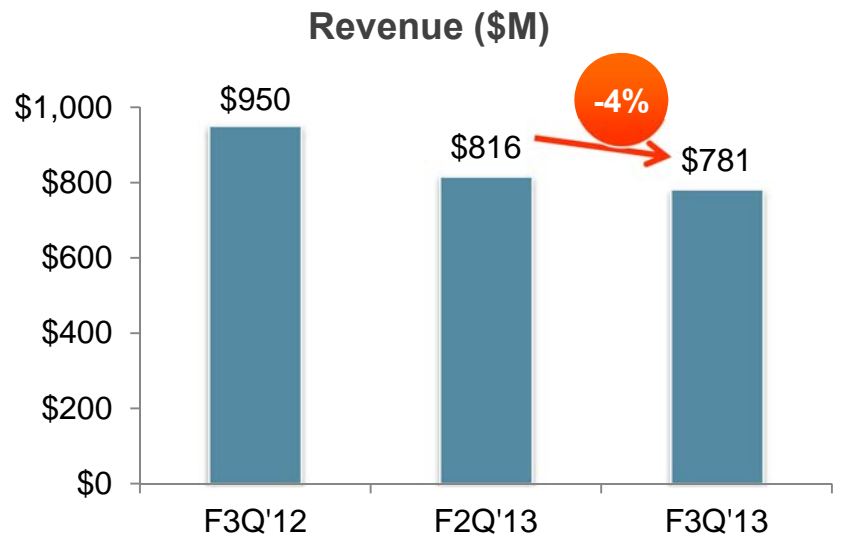
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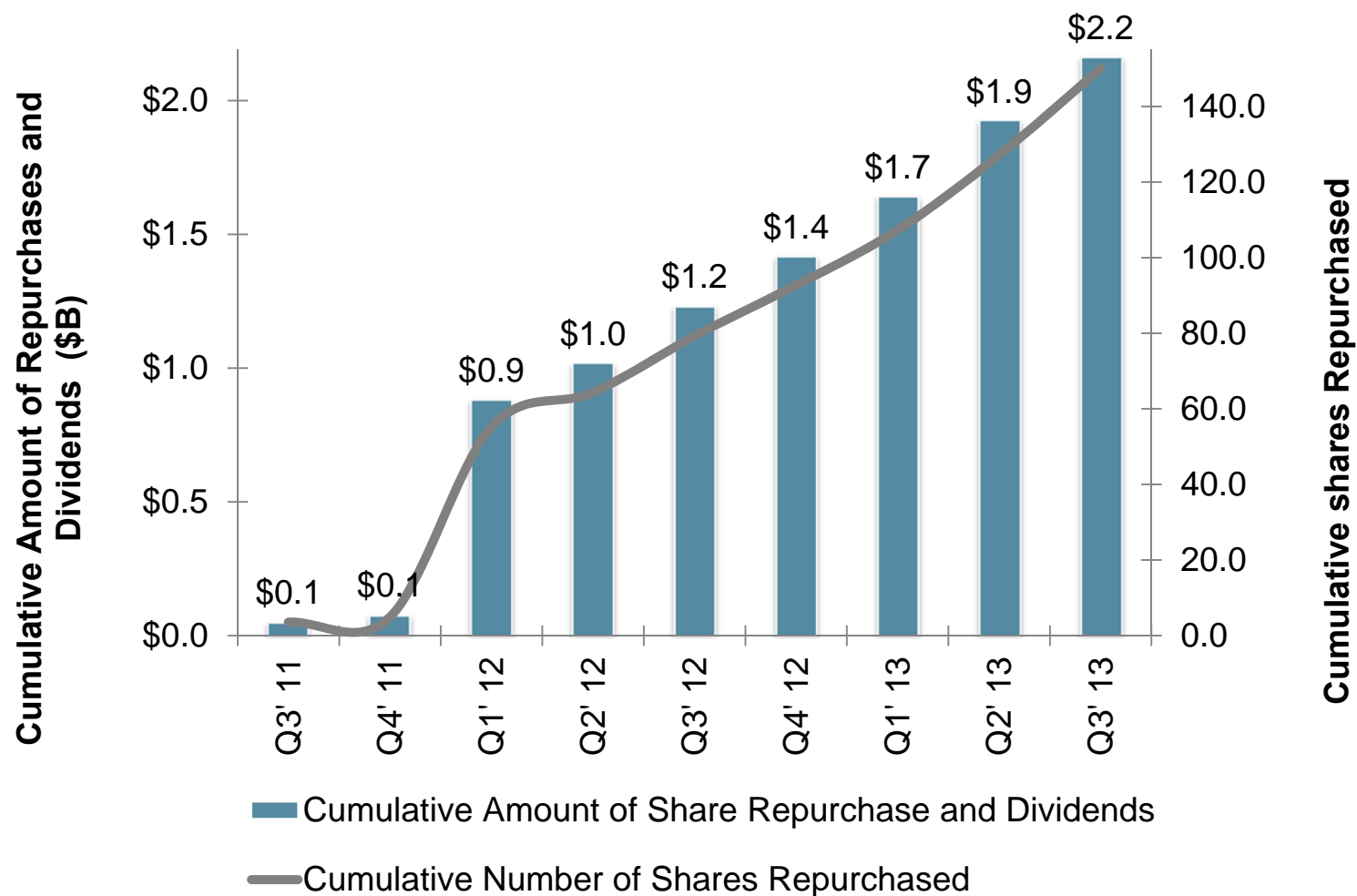
FQ3' 2013 Financial Summary



Source: Marvell

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Return of Capital



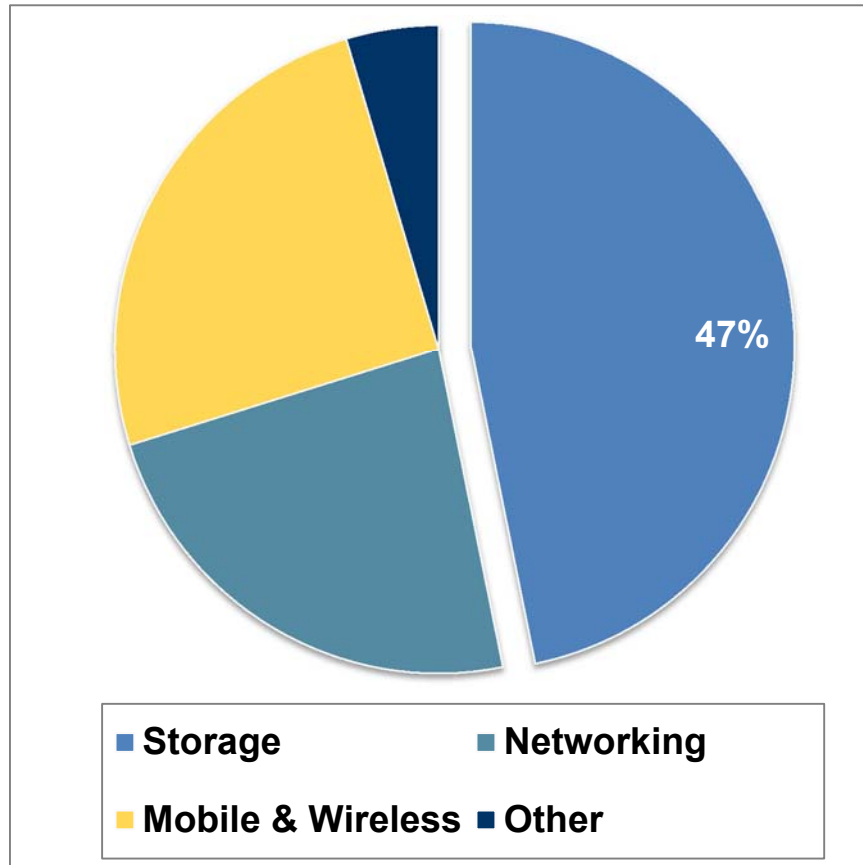
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End Markets: Storage



Source: Marvell

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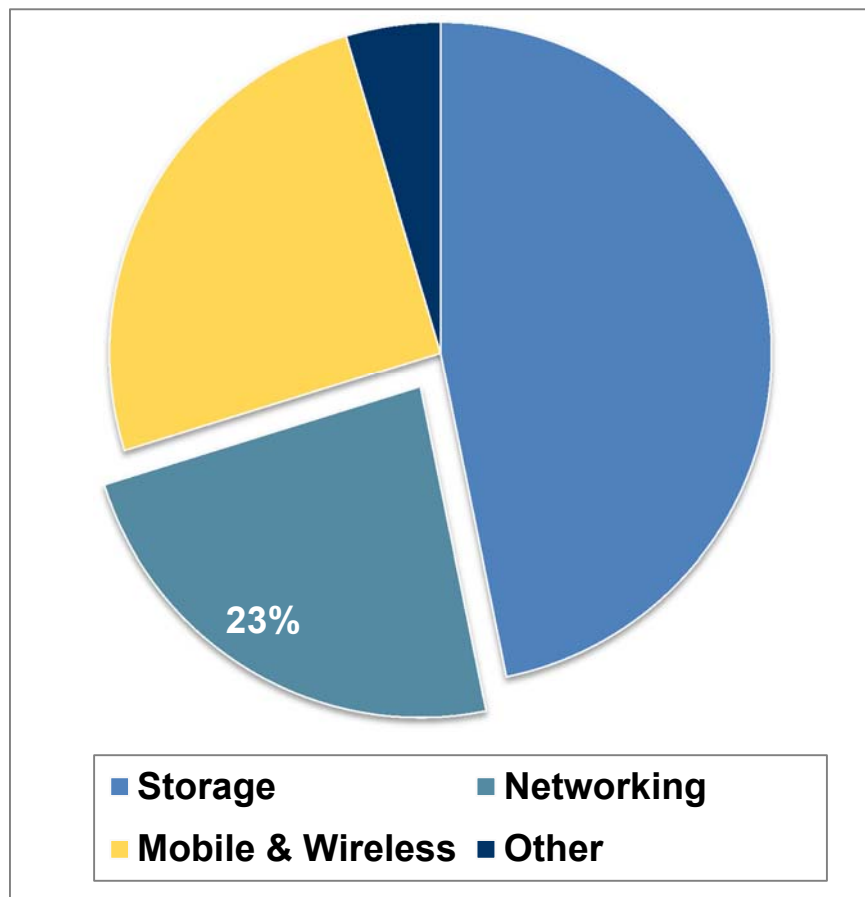
FQ3 Highlights

- 47% of overall revenue and -3% sequential decrease
- Results below initial expectations due to reduced HDD TAM and macro/PC demand slow down
- Over +30% sequential increase in next generation 500GB per platter volumes
- Strong +25% sequential increase in SSD revenue

FQ4 Expectations

- Overall Storage revenue of flat to low single digit percentage sequential decrease
- Continued share gains in mobile 2.5" 500GB/platter HDDs
- Share gains in SSDs with revenue to be approximately flat sequentially

End Markets: Networking



Source: Marvell

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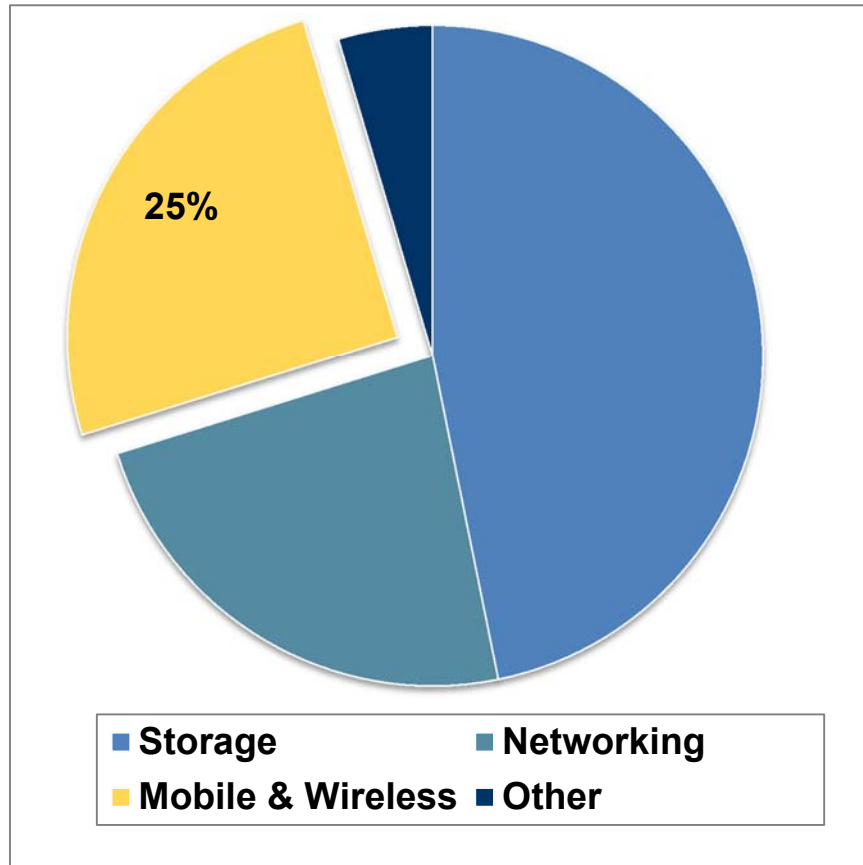
FQ3 Highlights

- 23% of overall revenue and a -1% sequential decrease
- Over +10% sequential growth in Enterprise Switching
- Modest inventory correction for Infrastructure products
- Strong traction in datacenter cold storage server market with platform solution: Compute + Networking + Storage

FQ4 Expectations

- Revenue increase of low single digit percentage sequentially
- Continued growth in Enterprise switching and recovery from inventory correction in Infrastructure products

End Markets: Mobile & Wireless



Source: Marvell

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FQ3 Highlights

- 25% of overall revenue and a decline of -10% sequentially
- Top OEMs and white-box handset makers designing smartphones using new Marvell unified platform
- Multiple handset OEMs working with the new mobile platform for WCDMA
- New PC-tablet introduced by a major customer with Marvell 2x2 MIMO combo solution

FQ4 Expectations

- Revenue decrease of ~30% sequentially
- Seasonal decline in connectivity
- About a dozen customers for new mobile platform
- ~20 smartphone devices to be delivered to carriers by the end of Q4 using new mobile platform

FQ4' 2013 Financial Outlook

FQ4' 2013 Outlook**

	FQ4' 2013 Outlook
Revenue	\$700 to \$740 million
Non-GAAP Gross Margin	53% +/- 50 bps
Non-GAAP Operating Expense	\$310 million +/- \$5 million
Non-GAAP R&D Expense	\$248 million
Non-GAAP SG&A Expense	\$62 million
Other Income / (Expense)	\$2 million
Non-GAAP Tax Expense	\$2 million
Non-GAAP EPS	\$0.13 +/- \$0.02
GAAP EPS	\$0.05 +/- \$0.02

** Note: Marvell's FQ4' 2013 has an extra week (14 weeks)

Source: Marvell

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Financial Statements

Unaudited Statement of Operations

(In thousands, except per share amounts)

	Q4'11	Q1'12	Q2'12	Q3'12	Q4'12	Q1'13	Q2'13	Q3'13
Net revenue	\$ 900,513	\$ 802,402	\$ 897,520	\$ 950,417	\$ 742,701	\$ 796,351	\$ 816,104	\$ 780,881
Cost of goods sold	371,799	334,475	378,117	412,100	341,113	366,322	381,839	374,503
Gross profit	528,714	467,927	519,403	538,317	401,588	430,029	434,265	406,378
Operating expenses:								
Research and development	231,836	242,537	249,604	266,255	255,282	255,970	264,175	263,615
Selling and marketing	40,444	38,152	40,390	40,500	40,392	40,066	41,034	38,398
General and administrative	26,706	24,784	23,631	29,021	23,184	25,705	25,718	24,514
Amortization of acquired intangible assets	14,005	14,341	11,138	11,155	12,723	14,355	13,023	13,054
Total operating expenses	312,991	319,814	324,763	346,931	331,581	336,096	343,950	339,581
Operating income	215,723	148,113	194,640	191,386	70,007	93,933	90,315	66,797
Interest and other income (expense), net	10,475	(218)	2,064	7,729	5,338	1,057	5,864	2,387
Income before income taxes	226,198	147,895	196,704	199,115	75,345	94,990	96,179	69,184
Provision (benefit) for income taxes	3,345	1,034	4,312	3,994	(5,372)	447	3,105	368
Net income	<u>\$ 222,853</u>	<u>\$ 146,861</u>	<u>\$ 192,392</u>	<u>\$ 195,121</u>	<u>\$ 80,717</u>	<u>\$ 94,543</u>	<u>\$ 93,074</u>	<u>\$ 68,816</u>
Net income per share - basic	<u>0.34</u>	<u>0.23</u>	<u>0.32</u>	<u>0.32</u>	<u>0.14</u>	<u>0.16</u>	<u>0.17</u>	<u>0.12</u>
Net income per share - diluted	<u>0.33</u>	<u>0.22</u>	<u>0.31</u>	<u>0.32</u>	<u>0.13</u>	<u>0.16</u>	<u>0.16</u>	<u>0.12</u>
Weighted average shares — basic	<u>654,650</u>	<u>638,946</u>	<u>608,511</u>	<u>600,504</u>	<u>583,466</u>	<u>580,024</u>	<u>562,362</u>	<u>553,049</u>
Weighted average shares — diluted	<u>679,445</u>	<u>657,140</u>	<u>623,132</u>	<u>613,499</u>	<u>599,300</u>	<u>594,739</u>	<u>570,325</u>	<u>559,348</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	1,776	1,695	1,916	1,940	1,444	2,123	1,775	1,944
Research and development	21,789	19,593	22,128	21,905	22,298	17,174	22,413	22,565
Selling and marketing	2,991	2,654	3,207	3,402	3,657	3,036	3,458	3,101
General and administrative	4,723	3,538	3,104	3,364	4,018	4,859	5,582	2,764

Source: Marvell

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Unaudited Statement of Cash Flows

(In thousands)

	Q4'11	Q1'12	Q2'12	Q3'12	Q4'12	Q1'13	Q2'13	Q3'13
Cash flows from operating activities:								
Net income	\$ 222,853	\$ 146,861	\$ 192,392	\$ 195,121	\$ 80,717	\$ 94,543	\$ 93,074	\$ 68,816
Adjustments to reconcile net income to net cash provided by operating activities:								
Depreciation and amortization	24,199	24,037	22,437	20,179	21,801	21,199	21,285	22,317
Stock-based compensation	31,279	27,480	30,355	30,611	31,416	27,192	33,228	30,374
Amortization of acquired intangible assets	14,005	14,341	11,138	11,155	12,723	14,355	13,023	13,054
Other (income) expense, net	(1,987)	3,854	3,291	4,266	3,779	2,903	2,272	1,260
Excess tax benefits from stock-based compensation	(230)	(3)	(11)	(85)	(65)	(41)	(3)	(5)
Changes in assets and liabilities:								
Accounts receivable	8,569	33,938	19,711	(45,351)	46,252	(10,119)	26,610	16,002
Inventories	(17,120)	(53,107)	(22,897)	12,037	(37,142)	201	7,832	21,601
Prepaid expenses and other assets	64,553	644	16,794	16,791	(6,738)	4,242	11,393	358
Accounts payable	(21,471)	(5,295)	12,294	(2,806)	(51,288)	21,249	6,288	(54,674)
Accrued liabilities and other	(56,007)	(5,450)	5,359	(17,939)	(3,583)	18,143	(4,204)	(3,653)
Accrued employee compensation	(5,755)	(14,880)	(14,387)	36,191	(19,489)	(648)	(24,033)	29,509
Deferred income	(12,055)	4,729	(13,063)	1,417	(9,285)	5,454	2,427	(8,382)
Net cash provided by operating activities	250,833	177,149	263,413	261,587	69,098	198,673	189,192	136,577
Cash flows from investing activities:								
Purchases of marketable securities	(240,817)	(677,179)	(462,705)	(443,008)	(268,804)	(421,652)	(225,255)	(558,457)
Purchases of strategic investments	-	(1,750)	(503)	(1,250)	(500)	(5,000)	(750)	-
Sales and maturities of investments	190,021	272,547	408,522	402,145	378,950	558,777	322,532	436,435
Cash paid for acquisitions, net	(8,767)	(16,330)	(430)	(2,000)	(75,156)	-	-	(1,000)
Proceeds from sales of equity investments	9,192	-	-	-	-	-	-	-
Purchases of technology licenses	(10,495)	(3,290)	(3,325)	(2,978)	(4,230)	(2,045)	(4,407)	(4,235)
Purchases of property and equipment	(26,906)	(17,018)	(25,227)	(20,085)	(26,449)	(18,904)	(10,830)	(19,356)
Net cash (used in) provided by investing activities	(87,772)	(443,020)	(83,668)	(67,176)	3,811	111,176	81,290	(146,613)
Cash flows from financing activities:								
Repurchase of common stock	(26,892)	(803,501)	(135,740)	(215,155)	(186,480)	(223,157)	(250,327)	(202,987)
Proceeds from employee stock plans	74,465	9,841	36,782	8,942	50,474	17,803	39,526	8,915
Minimum tax withholding paid on behalf of employees for net share settlement	(6,184)	(4,634)	(234)	(304)	(3,010)	(8,879)	(598)	(345)
Dividend payment to shareholder	-	-	-	-	-	-	(33,537)	(33,476)
Principal payments on capital lease obligations	(500)	(511)	-	-	-	-	-	-
Excess tax benefits from stock-based compensation	230	3	11	85	65	41	3	5
Net cash (used in) provided by financing activities	41,119	(798,802)	(99,181)	(206,432)	(138,951)	(214,192)	(244,933)	(227,888)
Net increase (decrease) in cash and cash equivalents	204,180	(1,064,673)	80,564	(12,021)	(66,042)	95,657	25,549	(237,924)
Cash and cash equivalents at beginning of period	1,642,894	1,847,074	782,401	862,965	850,944	784,902	880,559	906,108
Cash and cash equivalents at end of period	<u>\$ 1,847,074</u>	<u>\$ 782,401</u>	<u>\$ 862,965</u>	<u>\$ 850,944</u>	<u>\$ 784,902</u>	<u>\$ 880,559</u>	<u>\$ 906,108</u>	<u>\$ 668,184</u>
Unaudited Supplemental Financial Information								
GAAP net cash provided by operating activities	\$ 250,833	\$ 177,149	\$ 263,413	\$ 261,587	\$ 69,098	\$ 198,673	\$ 189,192	\$ 136,577
Purchases of technology licenses	(10,495)	(3,290)	(3,325)	(2,978)	(4,230)	(2,045)	(4,407)	(4,235)
Purchases of property and equipment	(26,906)	(17,018)	(25,227)	(20,085)	(26,449)	(18,904)	(10,830)	(19,356)
Free cash flow	<u>\$ 213,432</u>	<u>\$ 156,841</u>	<u>\$ 234,861</u>	<u>\$ 238,524</u>	<u>\$ 38,419</u>	<u>\$ 177,724</u>	<u>\$ 173,955</u>	<u>\$ 112,986</u>

Source: Marvell

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Unaudited Balance Sheet

(In thousands)

	Q4'11	Q1'12	Q2'12	Q3'12	Q4'12	Q1'13	Q2'13	Q3'13
Assets								
Current assets:								
Cash, cash equivalents, and short-term investments	\$ 2,930,030	\$ 2,267,839	\$ 2,399,787	\$ 2,424,698	\$ 2,246,498	\$ 2,202,681	\$ 2,134,193	\$ 2,016,799
Accounts receivable, net	459,406	425,468	405,757	451,108	407,263	417,382	390,772	374,770
Inventories	245,448	299,108	322,005	309,968	354,119	353,387	345,712	323,997
Prepaid expenses and other current assets	77,763	80,154	70,842	61,741	71,081	68,176	58,904	62,264
Total current assets	3,712,647	3,072,569	3,198,391	3,247,515	3,078,961	3,041,626	2,929,581	2,777,830
Property and equipment, net	358,440	354,483	363,764	373,628	383,801	382,374	381,154	376,437
Long-term investments	26,226	26,070	26,070	23,218	23,215	23,215	18,103	18,103
Goodwill and acquired intangible assets, net	2,129,464	2,130,342	2,119,649	2,112,094	2,173,496	2,159,141	2,146,118	2,134,061
Other non-current assets	111,380	109,143	120,689	110,920	108,146	112,169	109,596	119,523
Total assets	<u>\$ 6,338,157</u>	<u>\$ 5,692,607</u>	<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>
Liabilities and Shareholders' Equity								
Current liabilities:								
Accounts payable	\$ 332,007	\$ 321,687	\$ 353,992	\$ 355,404	\$ 304,695	\$ 323,392	\$ 335,100	\$ 291,366
Accrued liabilities	232,007	210,837	207,156	237,119	224,900	244,739	223,508	249,645
Deferred income	76,161	80,890	67,827	69,244	59,959	65,413	67,840	59,458
Current portion of capital lease obligations	511	-	-	-	-	-	-	-
Total current liabilities	640,686	613,414	628,975	661,767	589,554	633,544	626,448	600,469
Other long-term liabilities	175,602	175,789	173,457	166,309	164,047	162,451	154,990	149,191
Total liabilities	816,288	789,203	802,432	828,076	753,601	795,995	781,438	749,660
Shareholders' equity:								
Common stock	4,806,905	4,036,091	3,967,254	3,791,348	3,684,279	3,496,707	3,318,693	3,154,536
Accumulated other comprehensive income (loss)	1,092	6,580	5,752	(295)	776	2,317	1,378	3,375
Retained earnings	713,872	860,733	1,053,125	1,248,246	1,328,963	1,423,506	1,483,043	1,518,383
Total shareholders' equity	5,521,869	4,903,404	5,026,131	5,039,299	5,014,018	4,922,530	4,803,114	4,676,294
Total liabilities and shareholders' equity	<u>\$ 6,338,157</u>	<u>\$ 5,692,607</u>	<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>
GAAP inventory turns	6.2	4.9	4.9	5.2	4.1	4.1	4.4	4.5
GAAP days in inventory	59	74	75	70	89	88	83	81

Source: Marvell

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

	Q4'11	Q1'12	Q2'12	Q3'12	Q4'12	Q1'13	Q2'13	Q3'13
GAAP Net income	\$ 222,853	\$ 146,861	\$ 192,392	\$ 195,121	\$ 80,717	\$ 94,543	\$ 93,074	\$ 68,816
(1) Cost of goods sold								
Stock-based compensation	1,776	1,695	1,916	1,940	1,444	2,123	1,775	1,944
Acquisition related costs	-	-	-	-	1,457	1,929	1,054	-
Legal/Tax related matters	4,062	-	-	-	-	-	-	-
(2) Research and development:								
Stock-based compensation	21,789	19,593	22,128	21,905	22,298	17,174	22,413	22,565
Acquisition related costs	-	-	-	-	279	442	466	458
Restructuring	280	168	139	1	420	2	42	2
Legal/Tax related matters	-	-	-	3,137	-	-	-	-
(3) Selling and marketing:								
Stock-based compensation	2,991	2,654	3,207	3,402	3,657	3,036	3,458	3,101
Acquisition related costs	-	-	-	-	41	46	50	57
Restructuring	-	-	-	-	8	(7)	7	(3)
(4) General and administrative:								
Stock-based compensation	4,723	3,538	3,104	3,364	4,018	4,859	5,582	2,764
Acquisition related costs	-	-	-	-	185	39	7	8
Restructuring	399	451	428	104	137	120	810	130
Legal/Tax related matters	-	-	-	4,322	(750)	-	250	-
(5) Other operating costs and expenses:								
Amortization of acquired intangible assets	14,005	14,341	11,138	11,155	12,723	14,355	13,023	13,054
Non-GAAP Net income	\$ 272,878	\$ 189,301	\$ 234,452	\$ 244,451	\$ 126,634	\$ 138,661	\$ 142,011	\$ 112,896
Non-GAAP Operating Income	\$ 265,748	\$ 190,553	\$ 236,700	\$ 240,716	\$ 115,924	\$ 138,051	\$ 139,252	\$ 110,877
GAAP Wighted average shares — diluted	679,445	657,140	623,132	613,499	599,300	594,739	570,325	559,348
Non-GAAP adjustment	5,760	5,808	1,645	1,558	6,397	10,814	16,302	18,452
Non-GAAP Wighted average shares — diluted	685,205	662,948	624,777	615,057	605,697	605,553	586,627	577,800

Source: Marvell

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Thank You

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