

Marvell Technology Group

Investor Relations

FQ2' 2015 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 outlook including revenue, non-GAAP gross margin, non-GAAP R&D expense, non-GAAP SG&A expense, other income/expense, tax expense and EPS (GAAP and non-GAAP) for the third quarter of fiscal 2015; and expectations in three of the end markets we serve (Mobile & Wireless, Storage and Networking). Words such as “anticipates,” “expects,” “intends,” “plans,” “believes,” “seeks,” “estimates,” “can,” “will” and similar expressions identify such forward-looking statements. These forward-looking statements are not guarantees of results and should not be considered as an indication of future performance. Actual events or results may differ materially from those described in these slides due to a number of risks and uncertainties including, among others: our reliance on a few customers for a significant portion of our revenue; costs and liabilities relating to current and future litigation; our ability to develop and introduce new and enhanced products in a timely and cost effective manner and the adoption of those products in the market; 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; uncertainty in the worldwide economic conditions; our ability to recruit and retain skilled personnel; 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 Quarterly Report on Form 10-Q for the quarter ended May 3, 2014 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 third quarter of fiscal 2015 contained herein.

The payment of future quarterly cash dividends on Marvell’s common shares is subject to, among other things, the best interests of our shareholders, our results of operations, cash balances and future cash requirements, financial condition, developments in ongoing litigation, 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, pending litigation matters, business combinations, asset acquisitions or other investments that may be completed after August 20, 2014. Our financial outlook for the third quarter of fiscal 2015 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 share-based compensation, amortization and write-off of acquired intangible assets, acquisition-related costs, restructuring and other exit related costs, litigation settlement, and certain one-time expenses or benefits. We believe that the presentation of non-GAAP financial measures provides important supplemental information to management and investors regarding financial and business trends relating to our financial condition and results of operations. While we use non-GAAP financial measures as a tool to enhance our understanding of certain aspects of our financial performance, we do not consider these measures to be a substitute for, or superior to, the information provided by GAAP financial measures. A reconciliation in accordance with SEC Regulation G for the non-GAAP financial measures used in these slides is available in the financial statements section to this presentation and/or in the Investor Relations section of our website at www.marvell.com.

FQ2' 2015 Financial Results

Key Highlights from FQ2' 2015 Results

Revenue

- Revenue of \$962M, slightly higher from FQ1
- Better-than-expected growth in Storage
- Better-than-expected growth in Networking
- Continued ramps in 4G LTE and connectivity
- Weaker-than-expected 3G mobile

Non-GAAP EPS & Profitability

- EPS (diluted): \$0.34
- Gross margin: 50.6%
- Operating margin: 17%
- FCF margin: 14%

Shareholder Capital Returns

- Quarterly payment of \$31 million in dividends or 6 cents per share

Source: Marvell

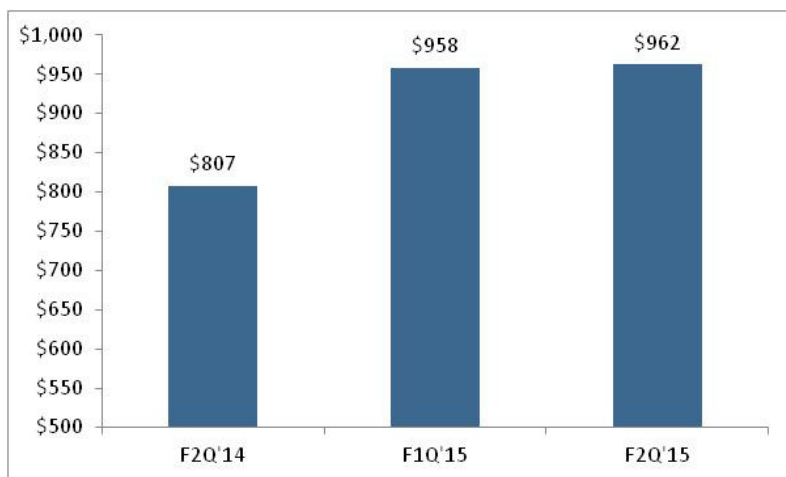
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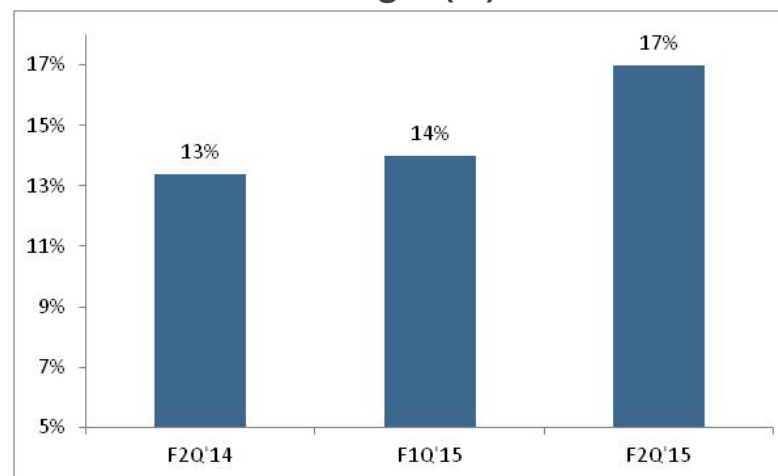
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FQ2' 2015 Financial Summary

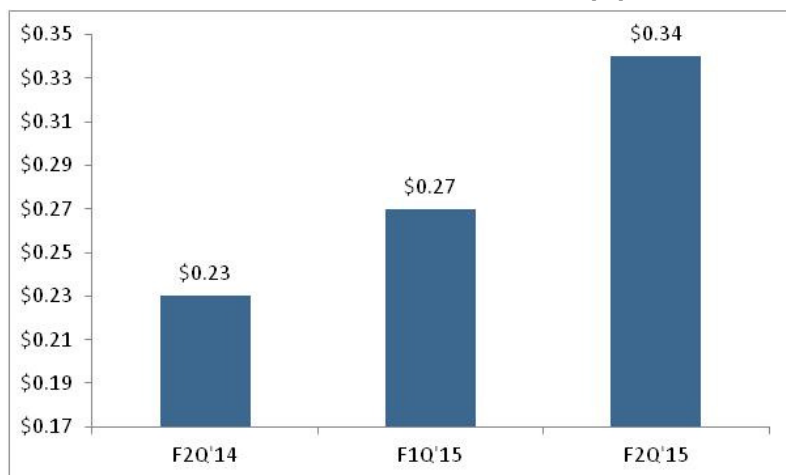
Revenue (\$M)



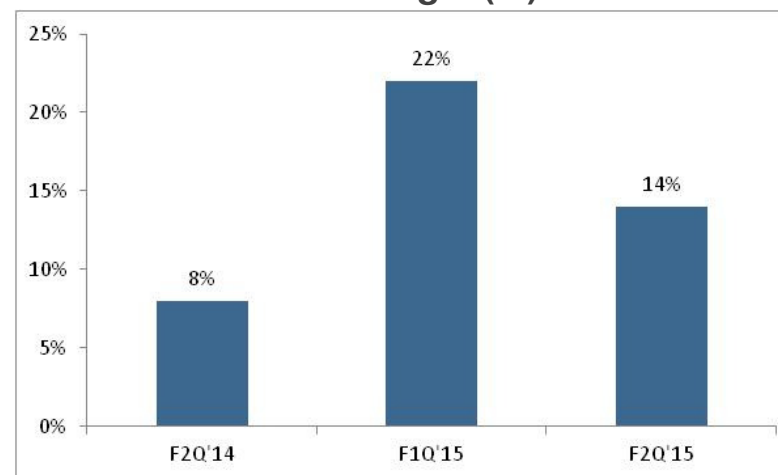
Non-GAAP Operating Margin (%)



Non-GAAP Diluted EPS (\$)



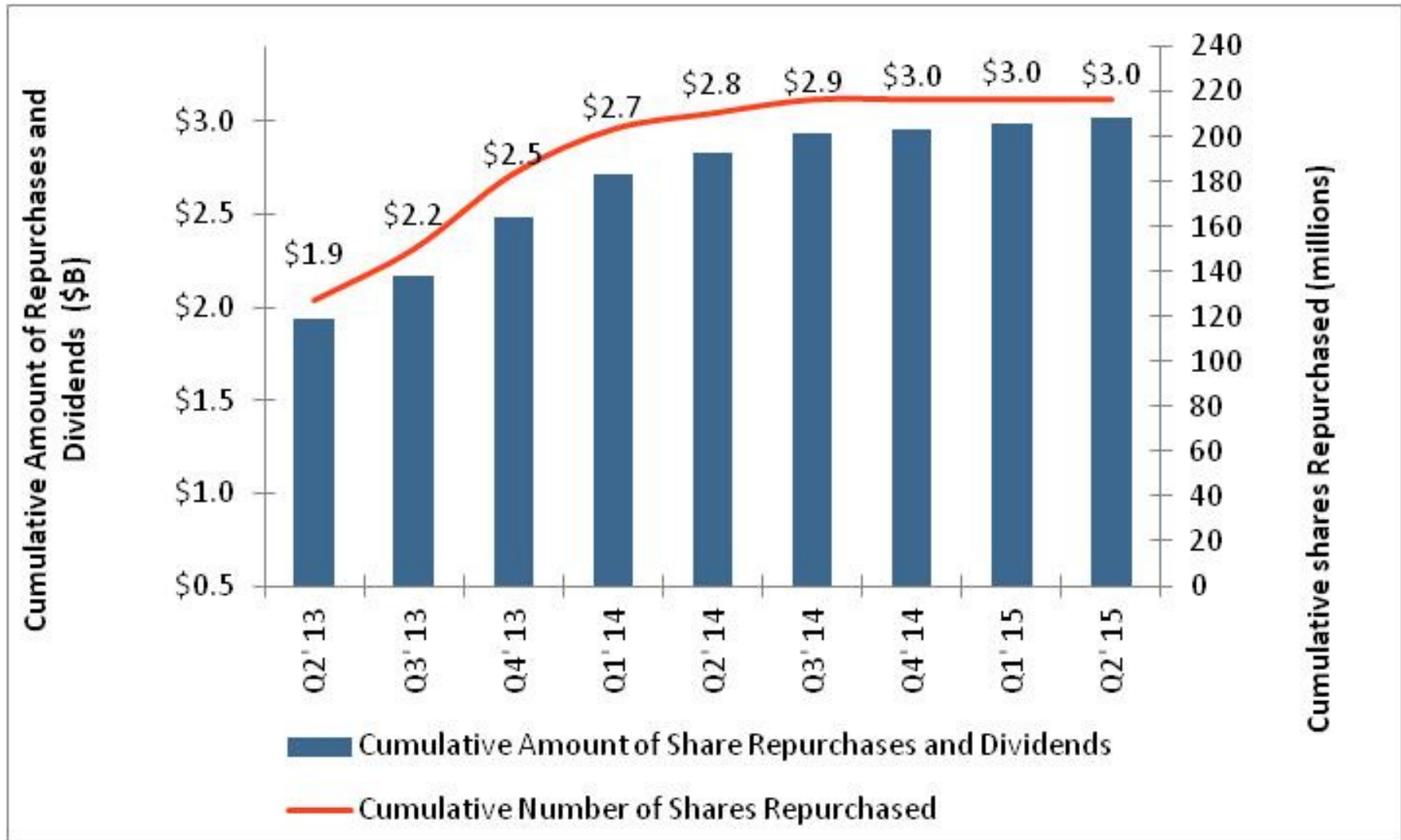
FCF Margin (%)



Source: Marvell

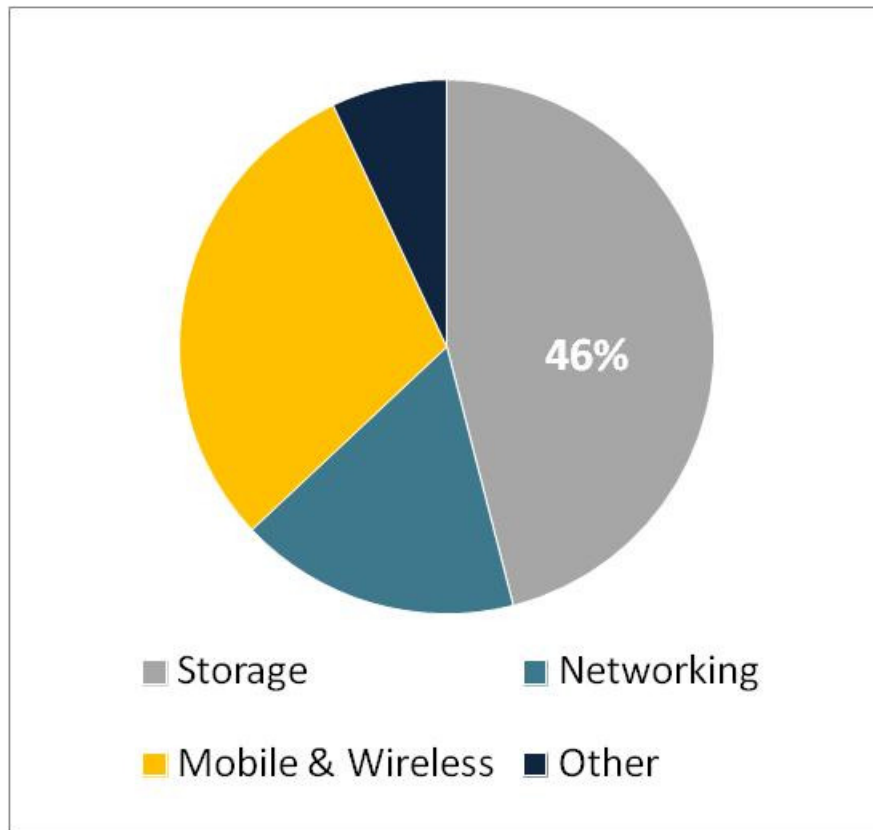
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Return of Capital



Source: Marvell

End Markets: Storage



FQ2 Highlights

- 46% of overall revenue
- Overall Storage revenue grew 6% q/q and increased 5% y/y
- Better than expected HDD growth q/q
 - Continued share gains in enterprise, units doubled y/y at NA-based OEM
- Double digit growth q/q in SSD units and revenue

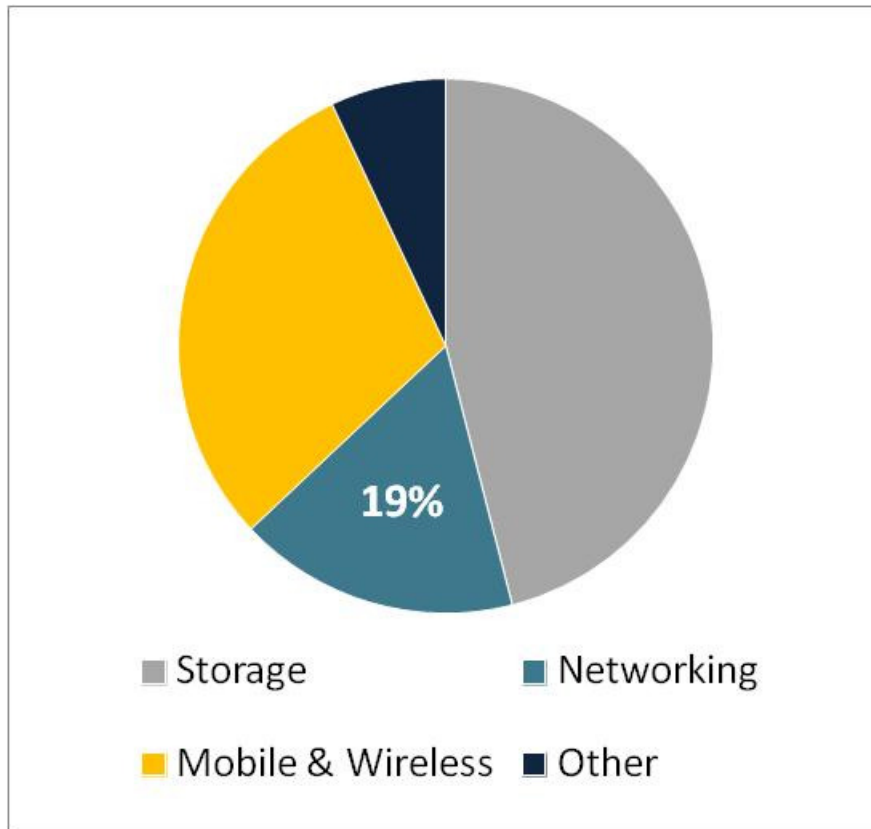
FQ3 Expectations

- Flat to modest growth from FQ2

Source: Marvell

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End Markets: Networking



FQ2 Highlights

- 19% of overall revenue
- Overall Networking grew 6% q/q and increased 7% y/y
- Switches and routers up on strong enterprise demand
- Increased design-win traction for Armada SoC devices in enterprise and service provider markets
- Soft NPU demand in Q2 following a strong Q1

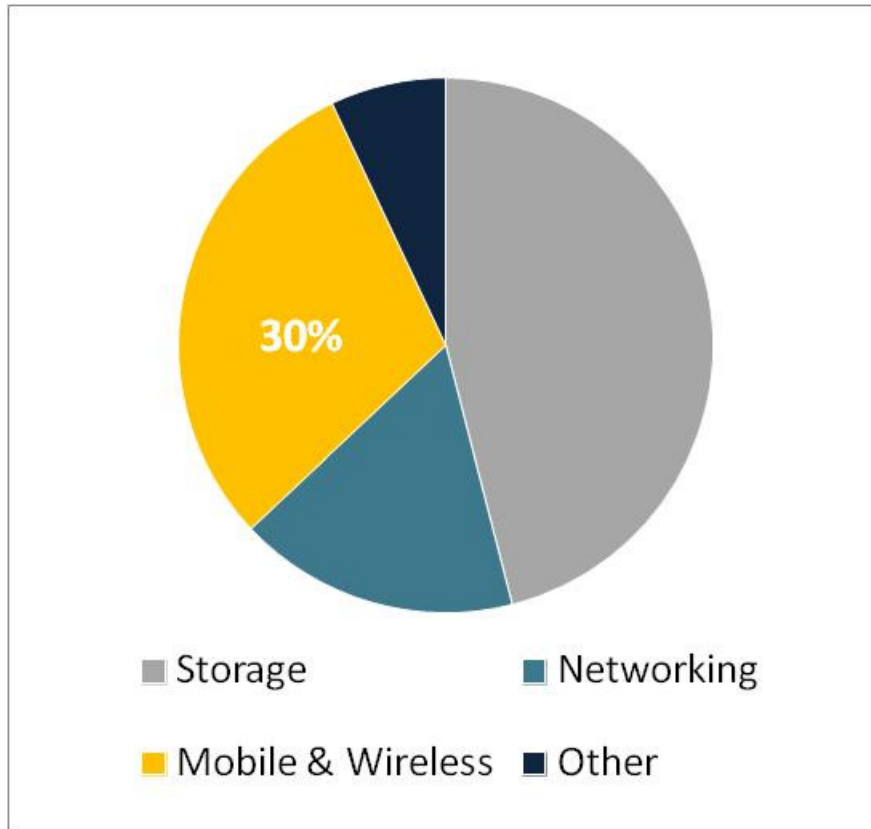
FQ3 Expectations

- Flat to slight growth from FQ2

Source: Marvell

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End Markets: Mobile & Wireless



FQ2 Highlights

- 30% of overall revenue
- Mobile and Wireless declined 9% q/q and increased 67% y/y
- 4G LTE continued to ramp in China
- Weaker-than-expected 3G demand from major Asia-based OEM
- Wireless connectivity grew double digit percentage q/q and y/y on strong gaming and mobile platforms

FQ3 Expectations

- Modest sequential growth from FQ2

Source: Marvell

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FQ3' 2015 Financial Outlook

FQ3' 2015 Outlook

| | FQ3' 2015 Outlook |
|----------------------------|--------------------------------|
| Revenue | \$960 to \$1,000 million |
| Non-GAAP Gross Margin | 50% +/- 100 bps |
| Non-GAAP Operating Expense | \$330 million +/- \$10 million |
| Non-GAAP R&D Expense | \$270 million |
| Non-GAAP SG&A Expense | \$60million |
| Other Income / (Expense) | \$1 million |
| Tax Expense | \$6 million |
| Non-GAAP EPS (diluted) | \$0.29 +/- \$0.02 |
| GAAP EPS (diluted) | \$0.21 +/- \$0.02 |

Source: Marvell

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Financial Statements

Unaudited Statement of Operations

(In thousands, except per share amounts)

| | Q3'13 | Q4'13 | Q1'14 | Q2'14 | Q3'14 | Q4'14 | Q1'15 | Q2'15 |
|--|------------|------------|------------|------------|------------|------------|------------|------------|
| Net revenue | \$ 780,881 | \$ 775,294 | \$ 734,369 | \$ 807,056 | \$ 931,226 | \$ 931,749 | \$ 957,830 | \$ 961,545 |
| Cost of goods sold | 374,503 | 370,833 | 335,438 | 386,059 | 464,981 | 477,252 | 493,860 | 477,741 |
| Gross profit | 406,378 | 404,461 | 398,931 | 420,997 | 466,245 | 454,497 | 463,970 | 483,804 |
| Operating expenses: | | | | | | | | |
| Research and development | 263,615 | 273,685 | 279,052 | 292,642 | 296,291 | 288,900 | 295,363 | 294,764 |
| Selling and marketing | 38,398 | 42,319 | 39,989 | 38,548 | 37,496 | 36,665 | 38,358 | 33,949 |
| General and administrative | 24,514 | 32,577 | 26,323 | 27,192 | 26,589 | 26,367 | 30,573 | 31,333 |
| Amortization and write-off of acquired intangible assets | 13,054 | 12,268 | 10,686 | 10,638 | 10,645 | 11,956 | 6,689 | 3,304 |
| Total operating expenses | 339,581 | 360,849 | 356,050 | 369,020 | 371,021 | 363,888 | 370,983 | 363,350 |
| Operating income | 66,797 | 43,612 | 42,881 | 51,977 | 95,224 | 90,609 | 92,987 | 120,454 |
| Interest and other income, net | 2,387 | 6,225 | 3,160 | 8,253 | 1,536 | 12,617 | 1,925 | 12,263 |
| Income before income taxes | 69,184 | 49,837 | 46,041 | 60,230 | 96,760 | 103,226 | 94,912 | 132,717 |
| Provision (benefit) for income taxes | 368 | (315) | (7,168) | (1,596) | (6,396) | 6,097 | (4,567) | (6,153) |
| Net income | \$ 68,816 | \$ 50,152 | \$ 53,209 | \$ 61,826 | \$ 103,156 | \$ 97,129 | \$ 99,479 | \$ 138,870 |
| Net income per share - basic | 0.12 | 0.10 | 0.11 | 0.13 | 0.21 | 0.20 | 0.20 | 0.27 |
| Net income per share - diluted | 0.12 | 0.09 | 0.11 | 0.12 | 0.21 | 0.19 | 0.19 | 0.27 |
| Weighted average shares — basic | 553,049 | 525,804 | 502,180 | 494,293 | 491,979 | 497,620 | 505,105 | 511,821 |
| Weighted average shares — diluted | 559,348 | 528,082 | 505,387 | 500,625 | 501,189 | 510,449 | 520,751 | 520,269 |

The following table presents details of total share-based compensation expense included in each functional line item in the unaudited condensed consolidated statements of income above:

| | | | | | | | | |
|----------------------------|--------|--------|--------|--------|--------|--------|--------|--------|
| Cost of goods sold | 1,944 | 2,300 | 1,867 | 1,868 | 2,531 | 2,597 | 2,299 | 1,733 |
| Research and development | 22,565 | 24,997 | 23,279 | 28,982 | 30,084 | 27,087 | 20,368 | 24,276 |
| Selling and marketing | 3,101 | 3,683 | 3,392 | 3,648 | 3,738 | 3,162 | 2,928 | 2,617 |
| General and administrative | 2,764 | 5,506 | 4,975 | 6,593 | 6,848 | 5,222 | 4,374 | 6,394 |

Source: Marvell

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Unaudited Statement of Cash Flows

(In thousands)

| | Q3'13 | Q4'13 | Q1'14 | Q2'14 | Q3'14 | Q4'14 | Q1'15 | Q2'15 |
|---|------------|------------|------------|------------|------------|------------|--------------|--------------|
| Cash flows from operating activities: | | | | | | | | |
| Net income | \$ 68,816 | \$ 50,152 | \$ 53,209 | \$ 61,826 | \$ 103,156 | \$ 97,129 | \$ 99,479 | \$ 138,870 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | | | | | | |
| Depreciation and amortization | 22,317 | 26,227 | 24,966 | 25,697 | 25,913 | 26,176 | 27,006 | 26,263 |
| Share-based compensation | 30,374 | 36,486 | 33,513 | 41,091 | 43,201 | 38,068 | 29,969 | 35,020 |
| Amortization and write-off of acquired intangible assets | 13,054 | 12,268 | 10,686 | 10,638 | 10,645 | 12,037 | 7,174 | 3,789 |
| Other expense (income), net | 1,260 | 957 | 2,523 | 1,816 | 1,655 | 2,184 | 1,470 | (7,596) |
| Gain from sale of a product line | - | - | - | - | - | (6,975) | - | - |
| Excess tax benefits from share-based compensation | (5) | (9) | (7) | (25) | (10) | 22 | (44) | (32) |
| Changes in assets and liabilities: | | | | | | | | |
| Accounts receivable | 16,002 | 44,532 | (40,112) | (60,524) | (35,855) | 13,233 | (63,578) | 33,419 |
| Inventories | 21,601 | 73,468 | (20,123) | (64,170) | (45,157) | 32,262 | (3,105) | (43,194) |
| Prepaid expenses and other assets | 358 | (15,861) | 6,802 | 12,503 | (4,293) | 8,365 | (2,161) | (24,996) |
| Accounts payable | (54,674) | 2,833 | 28,936 | 54,933 | 44,442 | (88,520) | 85,128 | 2,558 |
| Accrued liabilities and other non-current liabilities | (3,653) | (2,272) | (20,081) | (13,013) | 12,584 | 10,883 | (7,134) | 10,096 |
| Accrued employee compensation | 29,509 | (24,878) | 4,423 | (471) | 10,013 | (19,752) | 30,001 | (7,451) |
| Deferred income | (8,382) | 692 | (880) | 16,195 | 10,905 | (24,623) | 30,932 | (9,792) |
| Net cash provided by operating activities | 136,577 | 204,595 | 83,855 | 86,496 | 177,199 | 100,489 | 235,137 | 156,954 |
| Cash flows from investing activities: | | | | | | | | |
| Purchases of available-for-sale securities | (558,457) | (338,538) | (306,838) | (164,631) | (220,280) | (146,143) | (181,889) | (153,881) |
| Sales and maturities of available-for-sale securities | 436,435 | 517,911 | 335,771 | 162,909 | 346,826 | 149,533 | 182,311 | 190,099 |
| Net proceeds from sale of a product line | - | - | - | - | - | 6,306 | - | - |
| Investments in privately-held-companies | - | (3,000) | - | (750) | (1,119) | - | (441) | - |
| Cash paid for acquisitions, net | (1,000) | - | (2,551) | - | - | - | - | - |
| Purchases of technology licenses | (4,235) | (24,315) | (5,860) | (1,750) | (6,383) | (3,654) | (8,111) | (1,298) |
| Purchases of property and equipment | (19,356) | (19,096) | (20,080) | (18,981) | (14,222) | (13,310) | (16,131) | (15,823) |
| Net cash provided by (used in) investing activities | (146,613) | 132,962 | 442 | (23,203) | 104,822 | (7,268) | (24,261) | 19,097 |
| Cash flows from financing activities: | | | | | | | | |
| Repurchase of common stock | (202,987) | (260,464) | (216,694) | (88,114) | (71,477) | - | - | - |
| Proceeds from employee stock plans | 8,915 | 38,692 | 19,805 | 53,316 | 24,155 | 107,686 | 19,092 | 49,282 |
| Minimum tax withholding paid on behalf of employees for net share settlement | (345) | (277) | (9,378) | (510) | (518) | (466) | (24,286) | (637) |
| Dividend payment to shareholders | (33,476) | (31,748) | (30,253) | (29,791) | (29,516) | (29,889) | (30,172) | (30,820) |
| Payments on technology license obligations | - | - | (5,317) | (984) | - | (1,110) | - | (2,677) |
| Excess tax benefits from share-based compensation | 5 | 9 | 7 | 25 | 10 | (22) | 44 | 32 |
| Net cash provided by (used in) financing activities | (227,888) | (253,788) | (241,830) | (66,058) | (77,346) | 76,199 | (35,322) | 15,180 |
| Net increase (decrease) in cash and cash equivalents | (237,924) | 83,769 | (157,533) | (2,765) | 204,675 | 169,420 | 175,554 | 191,231 |
| Cash and cash equivalents at beginning of period | 906,108 | 668,184 | 751,953 | 594,420 | 591,655 | 796,330 | 965,750 | 1,141,304 |
| Cash and cash equivalents at end of period | \$ 668,184 | \$ 751,953 | \$ 594,420 | \$ 591,655 | \$ 796,330 | \$ 965,750 | \$ 1,141,304 | \$ 1,332,535 |

Unaudited Balance Sheet

(In thousands)

| | Q3'13 | Q4'13 | Q1'14 | Q2'14 | Q3'14 | Q4'14 | Q1'15 | Q2'15 |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Assets | | | | | | | | |
| Current assets: | | | | | | | | |
| Cash, cash equivalents, and short-term investments | \$ 2,016,799 | \$ 1,918,990 | \$ 1,732,643 | \$ 1,726,198 | \$ 1,804,068 | \$ 1,969,405 | \$ 2,146,445 | \$ 2,300,004 |
| Accounts receivable, net | 374,770 | 330,238 | 370,350 | 430,874 | 466,729 | 453,496 | 517,074 | 498,484 |
| Inventories | 323,997 | 250,420 | 270,652 | 335,320 | 380,412 | 347,861 | 350,649 | 393,957 |
| Prepaid expenses and other current assets | 62,264 | 85,698 | 79,269 | 66,238 | 66,450 | 68,458 | 72,815 | 96,561 |
| Total current assets | 2,777,830 | 2,585,346 | 2,452,914 | 2,558,630 | 2,717,659 | 2,839,220 | 3,086,983 | 3,289,006 |
| Property and equipment, net | 362,297 | 372,971 | 370,634 | 363,486 | 358,150 | 356,165 | 349,321 | 344,836 |
| Long-term investments | 18,103 | 16,769 | 16,550 | 16,299 | 16,158 | 16,279 | 13,456 | 13,422 |
| Goodwill and acquired intangible assets, net | 2,134,061 | 2,121,793 | 2,114,893 | 2,104,255 | 2,093,610 | 2,078,980 | 2,071,806 | 2,068,017 |
| Other non-current assets | 133,663 | 164,885 | 166,176 | 161,574 | 162,379 | 160,366 | 161,406 | 150,413 |
| Total assets | <u>\$ 5,425,954</u> | <u>\$ 5,261,764</u> | <u>\$ 5,121,167</u> | <u>\$ 5,204,244</u> | <u>\$ 5,347,956</u> | <u>\$ 5,451,010</u> | <u>\$ 5,682,972</u> | <u>\$ 5,865,694</u> |
| Liabilities and Shareholders' Equity | | | | | | | | |
| Current liabilities: | | | | | | | | |
| Accounts payable | \$ 291,366 | \$ 286,552 | \$ 307,393 | \$ 355,164 | \$ 400,403 | \$ 316,389 | \$ 409,005 | \$ 415,718 |
| Accrued liabilities | 249,645 | 261,186 | 246,432 | 242,953 | 270,199 | 273,170 | 288,076 | 293,378 |
| Deferred income | 59,458 | 60,150 | 59,270 | 75,465 | 86,370 | 61,747 | 92,679 | 82,887 |
| Total current liabilities | 600,469 | 607,888 | 613,095 | 673,582 | 756,972 | 651,306 | 789,760 | 791,983 |
| Other non-current liabilities | 149,191 | 169,281 | 155,631 | 138,152 | 127,765 | 123,794 | 123,725 | 112,177 |
| Total liabilities | 749,660 | 777,169 | 768,726 | 811,734 | 884,737 | 775,100 | 913,485 | 904,160 |
| Shareholders' equity: | | | | | | | | |
| Common stock | 3,154,536 | 2,946,660 | 2,790,522 | 2,802,304 | 2,797,744 | 2,942,655 | 2,967,113 | 3,050,892 |
| Accumulated other comprehensive income (loss) | 3,375 | 1,148 | 2,176 | (1,572) | 57 | 597 | 409 | 627 |
| Retained earnings | 1,518,383 | 1,536,787 | 1,559,743 | 1,591,778 | 1,665,418 | 1,732,658 | 1,801,965 | 1,910,015 |
| Total shareholders' equity | 4,676,294 | 4,484,595 | 4,352,441 | 4,392,510 | 4,463,219 | 4,675,910 | 4,769,487 | 4,961,534 |
| Total liabilities and shareholders' equity | <u>\$ 5,425,954</u> | <u>\$ 5,261,764</u> | <u>\$ 5,121,167</u> | <u>\$ 5,204,244</u> | <u>\$ 5,347,956</u> | <u>\$ 5,451,010</u> | <u>\$ 5,682,972</u> | <u>\$ 5,865,694</u> |

Source: Marvell

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Unaudited GAAP to Non-GAAP Reconciliations

(In thousands, except per share amounts)

| | Q3'13 | Q4'13 | Q1'14 | Q2'14 | Q3'14 | Q4'14 | Q1'15 | Q2'15 |
|--|-------------------|-------------------|------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| GAAP Net income | \$ 68,816 | \$ 50,152 | \$ 53,209 | \$ 61,826 | \$ 103,156 | \$ 97,129 | \$ 99,479 | \$ 138,870 |
| (1) Cost of goods sold | | | | | | | | |
| Share-based compensation | 1,944 | 2,300 | 1,867 | 1,868 | 2,531 | 2,597 | 2,299 | 1,733 |
| Amortization of acquired intangible assets | - | - | - | - | - | 228 | 925 | 925 |
| Litigation settlement | - | 5,698 | - | 4,728 | - | 9,500 | - | - |
| (2) Research and development: | | | | | | | | |
| Share-based compensation | 22,565 | 24,997 | 23,279 | 28,982 | 30,084 | 27,087 | 20,368 | 24,276 |
| Acquisition related costs | 458 | 262 | 400 | (1,135) | 414 | 116 | - | - |
| Restructuring and other exit related | 2 | 1 | - | - | 4,613 | 829 | 4,682 | 412 |
| Tax-related matter | - | (690) | - | - | - | - | - | - |
| (3) Selling and marketing: | | | | | | | | |
| Share-based compensation | 3,101 | 3,683 | 3,392 | 3,648 | 3,738 | 3,162 | 2,928 | 2,617 |
| Acquisition related costs | 57 | 14 | 45 | 34 | - | - | - | - |
| Restructuring and other exit related | (3) | - | - | - | 795 | - | 48 | (48) |
| (4) General and administrative: | | | | | | | | |
| Share-based compensation | 2,764 | 5,506 | 4,975 | 6,593 | 6,848 | 5,222 | 4,374 | 6,394 |
| Acquisition related costs | 8 | 19 | 20 | 20 | 19 | 5 | - | - |
| Restructuring and other exit related | 130 | 153 | 228 | 178 | 527 | 118 | 358 | 371 |
| Litigation settlement | - | - | - | 500 | - | - | 2,000 | 475 |
| Other | - | - | - | - | - | - | - | 2,155 |
| (5) Other operating costs and expenses: | | | | | | | | |
| Amortization and write-off of acquired intangible assets | 13,054 | 12,268 | 10,686 | 10,638 | 10,645 | 11,956 | 6,689 | 3,304 |
| (6) Gain from sale of a product line: | - | - | - | - | - | (6,975) | - | - |
| Non-GAAP Net income | \$ 112,896 | \$ 104,363 | \$ 98,101 | \$ 117,880 | \$ 163,370 | \$ 150,974 | \$ 144,150 | \$ 181,484 |
| Non-GAAP Operating income | \$ 110,877 | \$ 97,823 | \$ 87,773 | \$ 108,031 | \$ 155,438 | \$ 151,429 | \$ 137,658 | \$ 163,068 |
| GAAP Weighted average shares — diluted | 559,348 | 528,082 | 505,387 | 500,625 | 501,189 | 510,449 | 520,751 | 520,269 |
| Non-GAAP adjustment | 18,452 | 16,196 | 17,094 | 15,021 | 13,014 | 12,932 | 9,625 | 13,201 |
| Non-GAAP Weighted average shares — diluted | 577,800 | 544,278 | 522,481 | 515,646 | 514,203 | 523,381 | 530,376 | 533,470 |

Source: Marvell

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