



MACOM Reports Fiscal Fourth Quarter and Fiscal Year 2024 Financial Results

November 7, 2024

LOWELL, Mass.--(BUSINESS WIRE)--Nov. 7, 2024-- MACOM Technology Solutions Holdings, Inc. ("MACOM") (Nasdaq: MTSI), a leading supplier of semiconductor products, today announced its financial results for its fiscal fourth quarter and fiscal year ended September 27, 2024.

Fourth Quarter Fiscal Year 2024 GAAP Results

- Revenue was \$200.7 million, an increase of 33.5%, compared to \$150.4 million in the previous year fiscal fourth quarter and an increase of 5.4% compared to \$190.5 million in the prior fiscal quarter;
- Gross margin was 54.7%, compared to 57.6% in the previous year fiscal fourth quarter and 53.2% in the prior fiscal quarter;
- Income from operations was \$27.5 million, or 13.7% of revenue, compared to income from operations of \$15.6 million, or 10.4% of revenue, in the previous year fiscal fourth quarter and income from operations of \$19.7 million, or 10.4% of revenue, in the prior fiscal quarter; and
- Net income was \$29.4 million, or \$0.39 per diluted share, compared to net income of \$24.5 million, or \$0.34 per diluted share, in the previous year fiscal fourth quarter and net income of \$19.9 million, or \$0.27 per diluted share, in the prior fiscal quarter.

Fourth Quarter Fiscal Year 2024 Adjusted Non-GAAP Results

- Adjusted gross margin was 58.1%, compared to 60.1% in the previous year fiscal fourth quarter and 57.5% in the prior fiscal quarter;
- Adjusted income from operations was \$50.7 million, or 25.2% of revenue, compared to adjusted income from operations of \$37.2 million, or 24.7% of revenue, in the previous year fiscal fourth quarter and adjusted income from operations of \$45.6 million, or 24.0% of revenue, in the prior fiscal quarter; and
- Adjusted net income was \$54.2 million, or \$0.73 per diluted share, compared to adjusted net income of \$40.1 million, or \$0.56 per diluted share, in the previous year fiscal fourth quarter and adjusted net income of \$48.9 million, or \$0.66 per diluted share, in the prior fiscal quarter.

Fiscal Year 2024 GAAP Results

- Revenue was \$729.6 million, an increase of 12.5%, compared to \$648.4 million in fiscal year 2023;
- Gross margin was 54.0%, compared to 59.5% in fiscal year 2023;
- Income from operations was \$73.7 million, compared to \$107.4 million in fiscal year 2023; and
- Net income was \$76.9 million, or \$1.04 per diluted share, compared to a net income of \$91.6 million, or \$1.28 income per diluted share in fiscal year 2023.

Fiscal Year 2024 Adjusted Non-GAAP Results

- Adjusted gross margin was 57.9%, compared to 61.3% in fiscal year 2023;
- Adjusted income from operations was \$175.0 million, or 24.0% of revenue, compared to \$189.6 million, or 29.2% of revenue, in fiscal year 2023; and
- Adjusted net income was \$188.2 million, or \$2.56 per diluted share, compared to adjusted net income of \$193.3 million, or \$2.70 per diluted share in fiscal year 2023.

Management Commentary

"Our team continues to identify opportunities to expand our customer base and gain share with our leading products and technologies," said Stephen G. Daly, President and Chief Executive Officer.

Business Outlook

For the fiscal first quarter ending January 3, 2025, MACOM expects revenue to be in the range of \$212 million to \$218 million. Adjusted gross margin is expected to be between 57% and 59%, and adjusted earnings per diluted share is expected to be between \$0.75 and \$0.81 utilizing an anticipated non-GAAP income tax rate of 3% and 75.0 million fully diluted shares outstanding.

Conference Call

MACOM will host a conference call on Thursday, November 7, 2024, at 8:30 a.m. Eastern Time to discuss its fiscal fourth quarter and fiscal year 2024 financial results and business outlook. Investors and analysts may visit MACOM's Investor Relations website at <https://ir.macom.com/events-webcasts> to register for a user-specific access code for the live call or to access the live webcast. A replay of the call will be available within 24 hours and remain accessible by all interested parties for approximately 90 days.

About MACOM

MACOM designs and manufactures high-performance semiconductor products for the Industrial and Defense, Data Center and Telecommunications industries. MACOM services over 6,000 customers annually with a broad product portfolio that incorporates RF, Microwave, Analog and Mixed Signal and Optical semiconductor technologies. MACOM has achieved certification to the IATF16949 automotive standard, the AS9100D aerospace standard, the ISO9001 international quality standard and the ISO14001 environmental management standard. MACOM operates facilities across the United States, Europe, Asia and is headquartered in Lowell, Massachusetts.

Special Note Regarding Forward-Looking Statements

This press release and the associated earnings call contains forward-looking statements. These forward-looking statements include, among others, statements about MACOM's strategic plans, priorities and long-term growth drivers, our ability to execute our long-term strategy, strengthen our position and drive market share gains and growth, our ability to develop new products, achieve market acceptance of those products and better address certain markets, expand our capabilities and extend our product offerings, including through the acquisitions of ENGIN-IC, Inc., Linearizer Communications Group and the radio frequency (RF) business of Wolfspeed, Inc. and through the establishment of our European Semiconductor Center, and the teams' capabilities and technologies and expansion thereof and any potential financial benefits derived by and financial impact to MACOM therefrom, strength and competitiveness of new product introductions and technology portfolio expansion, including the anticipated rate of new product introductions, anticipated demand for our products, MACOM's profitability, revenue targets, prospects and growth opportunities in our three primary markets, the potential impact to our business of an economic downturn or recession, anticipated financial and business performance improvements, the estimated financial results for our 2025 fiscal first 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 our ability to develop new products and achieve market acceptance of those products; component shortages or other disruptions in our supply chain, including as a result of geopolitical unrest or otherwise; inflationary pressures; any failure to accurately anticipate demand for our products and effectively manage our inventory; our dependence on a limited number of customers; risks related to any weakening of economic conditions; our ability to compete effectively; 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 operating expenses, non-GAAP income from operations and operating margin, non-GAAP EBITDA, non-GAAP net income, non-GAAP diluted earnings per share, non-GAAP income tax rate and non-GAAP interest income. 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 compensation expense, non-cash interest, net, acquisition and integration related costs, debt extinguishment costs and the tax effect of each non-GAAP adjustment.

Management believes these excluded items are not reflective of our underlying performance and 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. We believe this non-GAAP financial information provides additional insight into our ongoing performance and have therefore chosen to provide this information to investors 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 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 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. 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 non-cash expense is not considered by management in making operating decisions.

Share-Based Compensation Expense – includes share-based compensation expense for awards that are equity and liability classified on our balance sheet and the related employer tax expense at vesting. 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. Share-based compensation expense amounts are not considered by management in making operating decisions.

Non-cash Interest, Net – includes amounts associated with the amortization of certain fees associated with the establishment or amendment of our term loans and convertible notes that are being amortized over the life of the agreements. We believe these amounts are non-cash in nature, are not correlated to future business operations and do not reflect our ongoing operations.

Acquisition and Integration Related Costs – includes items such as professional fees, employee severance and other costs incurred in connection with acquisitions and integration specific activities which are not expected to have a continuing contribution to operations 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.

Debt Extinguishment Costs – includes the write-off of unamortized deferred financing costs and professional fees associated with the paydown of our term loans. We believe these non-cash amounts are not correlated to future business operations and do not reflect our ongoing operations.

Tax Effect of Non-GAAP Adjustments – includes adjustments to arrive at an estimate of our non-GAAP income tax rate associated with our non-GAAP income over a period of time. We determine our non-GAAP income tax rate 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 non-GAAP net income before income taxes and our ability to realize tax assets. We generally assess this non-GAAP income tax rate quarterly and have utilized 3% for fiscal year 2024 and for fiscal year 2023. Our historical effective income tax rate under GAAP has varied significantly from our non-GAAP income tax rate due primarily to income taxed in foreign jurisdictions at generally lower tax rates, research and development tax credits and acquisition expenses. We believe it is beneficial for management to review our 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.

Adjusted EBITDA – is a calculation that adds depreciation expense to our adjusted income from operations. Management reviews and utilizes this measure for operational analysis purposes. We believe competitors and others in the financial industry also utilize this 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			Twelve Months Ended	
	September 27, 2024	June 28, 2024	September 29, 2023	September 27, 2024	September 29, 2023
Revenue	\$ 200,710	\$ 190,486	\$ 150,375	\$ 729,578	\$ 648,407
Cost of revenue	90,868	89,077	63,749	335,805	262,610
Gross profit	109,842	101,409	86,626	393,773	385,797
Operating expenses:					
Research and development	49,592	47,531	37,508	182,158	148,545
Selling, general and administrative	32,716	34,162	33,511	137,949	129,852
Total operating expenses	82,308	81,693	71,019	320,107	278,397
Income from operations	27,534	19,716	15,607	73,666	107,400
Other income (expense):					
Interest income	6,244	5,820	6,056	22,986	20,807
Interest expense	(1,274)	(1,288)	(2,213)	(5,136)	(12,384)
Other income (expense), net	10	—	(458)	10	(665)
Total other income	4,980	4,532	3,385	17,860	7,758
Income before income taxes	32,514	24,248	18,992	91,526	115,158
Income tax (benefit) expense	3,100	4,309	(5,458)	14,667	23,581
Net income	<u>\$ 29,414</u>	<u>\$ 19,939</u>	<u>\$ 24,450</u>	<u>\$ 76,859</u>	<u>\$ 91,577</u>
Net income per share:					
Income per share - Basic	\$ 0.41	\$ 0.28	\$ 0.34	\$ 1.07	\$ 1.29
Income per share - Diluted	\$ 0.39	\$ 0.27	\$ 0.34	\$ 1.04	\$ 1.28
Weighted average common shares:					
Shares - Basic	72,192	72,143	70,988	71,959	70,801
Shares - Diluted	74,524	74,217	71,828	73,575	71,503

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

	September 27, 2024	September 29, 2023
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 146,806	\$ 173,952
Short-term investments	435,082	340,574
Accounts receivable, net	105,700	91,253
Inventories	194,490	136,300
Prepaid and other current assets	21,000	19,114
Total current assets	903,078	761,193
Property and equipment, net	176,017	149,496
Goodwill and intangible assets, net	408,289	390,392
Deferred income taxes	212,495	218,107
Other long-term assets	55,761	34,056
Total assets	<u>\$ 1,755,640</u>	<u>\$ 1,553,244</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	43,202	24,966
Accrued liabilities	64,336	57,397
Current portion of finance lease obligations	646	1,162
Total current liabilities	108,184	83,525
Finance lease obligations, less current portion	31,130	31,776
Financing obligation	9,006	9,307
Long-term debt obligations	448,281	447,134
Other long-term liabilities	32,696	33,902
Total liabilities	629,297	605,644
Stockholders' equity	1,126,343	947,600
Total liabilities and stockholders' equity	<u>\$ 1,755,640</u>	<u>\$ 1,553,244</u>

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

	Twelve Months Ended	
	September 27, 2024	September 29, 2023
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 76,859	\$ 91,577
Depreciation and intangible asset amortization	67,249	52,153
Share-based compensation	45,644	38,103
Deferred income taxes	4,947	19,798
Other adjustments, net	(1,029)	(6,948)
Accounts receivable	(16,805)	12,253
Inventories	(30,225)	(10,570)
Accrued and other liabilities	(7,325)	(21,315)
Change in other operating assets and liabilities	23,325	(8,134)
Net cash provided by operating activities	162,640	166,917
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of business, net	(72,615)	(87,692)
Sales, purchases and maturities of investments	(81,752)	140,727
Purchases of property and equipment	(22,440)	(24,699)
Other investing	(4,326)	—
Proceeds from sale of assets	—	8,005
Net cash (used in) provided by investing activities	(181,133)	36,341
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments of long-term debt	—	(120,766)
Payments on finance leases and other	(1,431)	(1,209)

Net income - GAAP	\$ 29,414	14.7	\$ 19,939	10.5	\$ 24,450	16.3	\$ 76,859	10.5	\$ 91,577	14.1
Amortization expense	8,656	4.3	8,676	4.6	7,433	4.9	32,392	4.4	28,104	4.3
Share-based compensation expense	12,502	6.2	14,691	7.7	10,569	7.0	50,191	6.9	43,589	6.7
Non-cash interest, net	286	0.1	287	0.2	328	0.2	1,146	0.2	1,563	0.2
Acquisition and integration related costs	1,965	1.0	2,552	1.3	3,443	2.3	18,784	2.6	10,341	1.6
Debt extinguishment costs	—	—	—	—	560	0.4	—	—	560	0.1
Tax effect of non-GAAP adjustments	1,422	0.7	2,795	1.5	(6,698)	(4.5)	8,845	1.2	17,601	2.7
Adjusted net income (Non-GAAP)	\$ 54,245	27.0	\$ 48,940	25.7	\$ 40,085	26.7	\$ 188,217	25.8	\$ 193,335	29.8

	Three Months Ended					Twelve Months Ended				
	September 27, 2024		June 28, 2024		September 29, 2023		September 27, 2024		September 29, 2023	
	Income per Net income	diluted share	Income per Net income	diluted share	Income per Net income	diluted share	Income per Net income	diluted share	Income per Net income	diluted share
Net income - GAAP diluted	\$ 29,414	\$ 0.39	\$ 19,939	\$ 0.27	\$ 24,450	\$ 0.34	\$ 76,859	\$ 1.04	\$ 91,577	\$ 1.28
Adjusted net income (Non-GAAP)	\$ 54,245	\$ 0.73	\$ 48,940	\$ 0.66	\$ 40,085	\$ 0.56	\$ 188,217	\$ 2.56	\$ 193,335	\$ 2.70

	Three Months Ended					Twelve Months Ended				
	September 27, 2024		June 28, 2024		September 29, 2023		September 27, 2024		September 29, 2023	
	Amount	% Revenue	Amount	% Revenue	Amount	% Revenue	Amount	% Revenue	Amount	% Revenue
Interest income - GAAP	\$ 6,244	3.1	\$ 5,820	3.1	\$ 6,056	4.0	\$ 22,986	3.2	\$ 20,807	3.2
Interest expense - GAAP	(1,274)	(0.6)	(1,288)	(0.7)	(2,213)	(1.4)	(5,136)	(0.7)	(12,384)	(1.9)
Non-cash interest expense	286	0.1	287	0.2	328	0.2	1,146	0.2	1,563	0.2
Adjusted interest income (Non-GAAP)	\$ 5,256	2.6	\$ 4,819	2.5	\$ 4,171	2.8	\$ 18,996	2.6	\$ 9,986	1.5

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