

# Investors Presentation



## Seeded for Disruptive Expansion

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February 2012

# Safe Harbor

## Forward Looking Statements

During the course of this presentation, we will discuss our anticipated future financial performance or make other forward-looking statements, including “street estimates” that are comprised of reported analyst estimates that have been compiled by the Company. Actual results may differ materially from these statements due to a number of risks and uncertainties, including, but not limited to customer demand for our products, the successful and timely development of new products, internal and external manufacturing execution, the business of the Company’s major customers and macro economic conditions. For a more detailed discussion of these and other factors, we refer you to our SEC filings.

## Regulation G Reconciliation

During the course of this presentation, we may refer to historical and forward-looking non-GAAP financial measures. A reconciliation of historical non-GAAP financial measures with the most directly comparable GAAP financial measures can be found on our web site at <http://www.amcc.com> in the “Investor Relations” section. We have not provided a reconciliation of forward-looking non-GAAP financial measures due to the difficulty in forecasting and quantifying the amounts that would be required to be included in the comparable GAAP measure that are dependent upon future market conditions and valuations.

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# Agenda

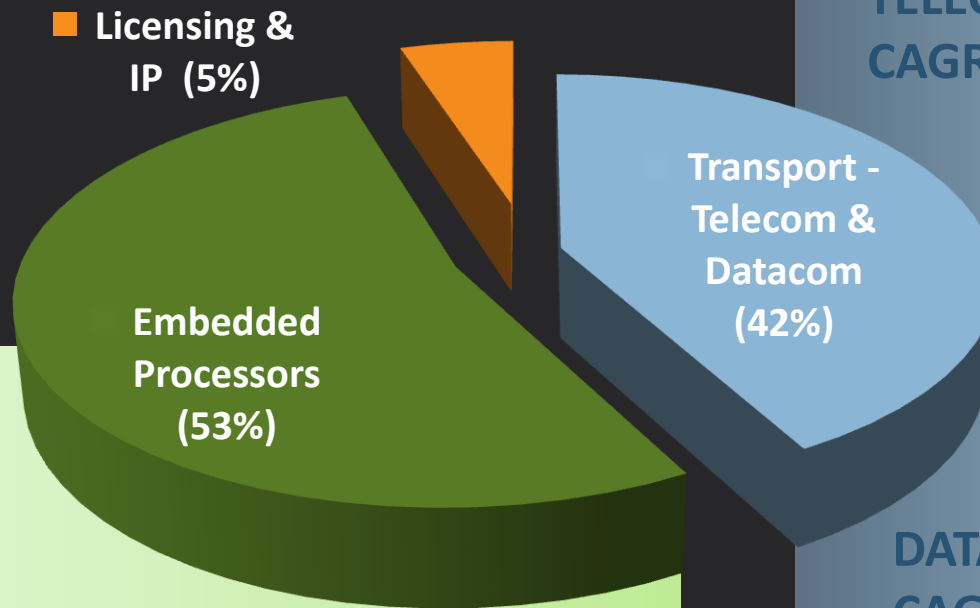
Base Business Overview

Expanding our Markets: ARM 64 Servers for Cloud

Financials

# Our Base Businesses: Current + Trending

**Closed FY11: \$245M @ 65% Gross Margins**



■ Licensing & IP (5%)

Embedded Processors (53%)

Transport - Telecom & Datacom (42%)

**TELECOM TAM: \$0.4B**  
**CAGR = 5%**

**Key Driver:**  
**SONET to OTN Transition**



**DATAKOM TAM: \$0.5B**  
**CAGR = 42%**

**Key Driver: 10G Copper**

**TAM: \$2B**  
**CAGR = 7%**

**Key Drivers: Enterprise & Datacenter Growth**

# Transport Business Overview

## Telecom

- Market Leader in OTN / Ethernet PHY's & Framers
  - 1M +10G OTN Ports Shipped
  - 3 Generations of FEC
  - World's Highest Density 40nm FEC + PHY
  - 70% of Core Platforms
  - Massive Lead in 10G Metro Platforms
  - Full Engineering Services & FPGA to ASSP portfolio
    - TPACK Licensing



## Datacom

- Market Leader in Optical Ethernet
  - KR, 10G Short Reach PHY's
- Market Enabler for 10GBT
  - Patented EMI Canceller
  - Lowest Power Multi Port Devices
  - Makes 10G over Copper Shippable
  - Poised for Wins @ Multiple tier 1's
- World's 1<sup>st</sup> 100G Gearbox & CMOS DQPSK PHY



**Market Leader: Telco & Datacenter Communications**

# Embedded Process Business Overview

## Enterprise, Datacenter, Telco

- Growth Drivers → Systems Functionality Getting Consolidated
- Power Architecture to TSMC
  - Ultra Energy Efficient
  - High Performance @ Lowest TCO
- Unprecedented Silicon Integration → Reduce BOM Cost
- Growth Drivers → Triple-Play Service Provider Build Outs
  - China: Fast Growth
  - US: Video Streaming
  - WiFi Integration into Connected Home
- WiFi Transitions
  - Connected Home Moving to .11n
  - Enterprise Moving to .11ac



**APM Positioned to Capitalize on Key Growth Vectors**

# Agenda

## Base Business Overview

Expanding our Markets: ARM 64 Servers for Cloud

Financials

# Past



## Computing

- Structured data
- Centralized



## Communications

- Voice Only
- One-to-One
- 1G



Present

# Harnessing Data in the Cloud

## Computing

- Big Unstructured Data

- Open Cloud

- 10/100G

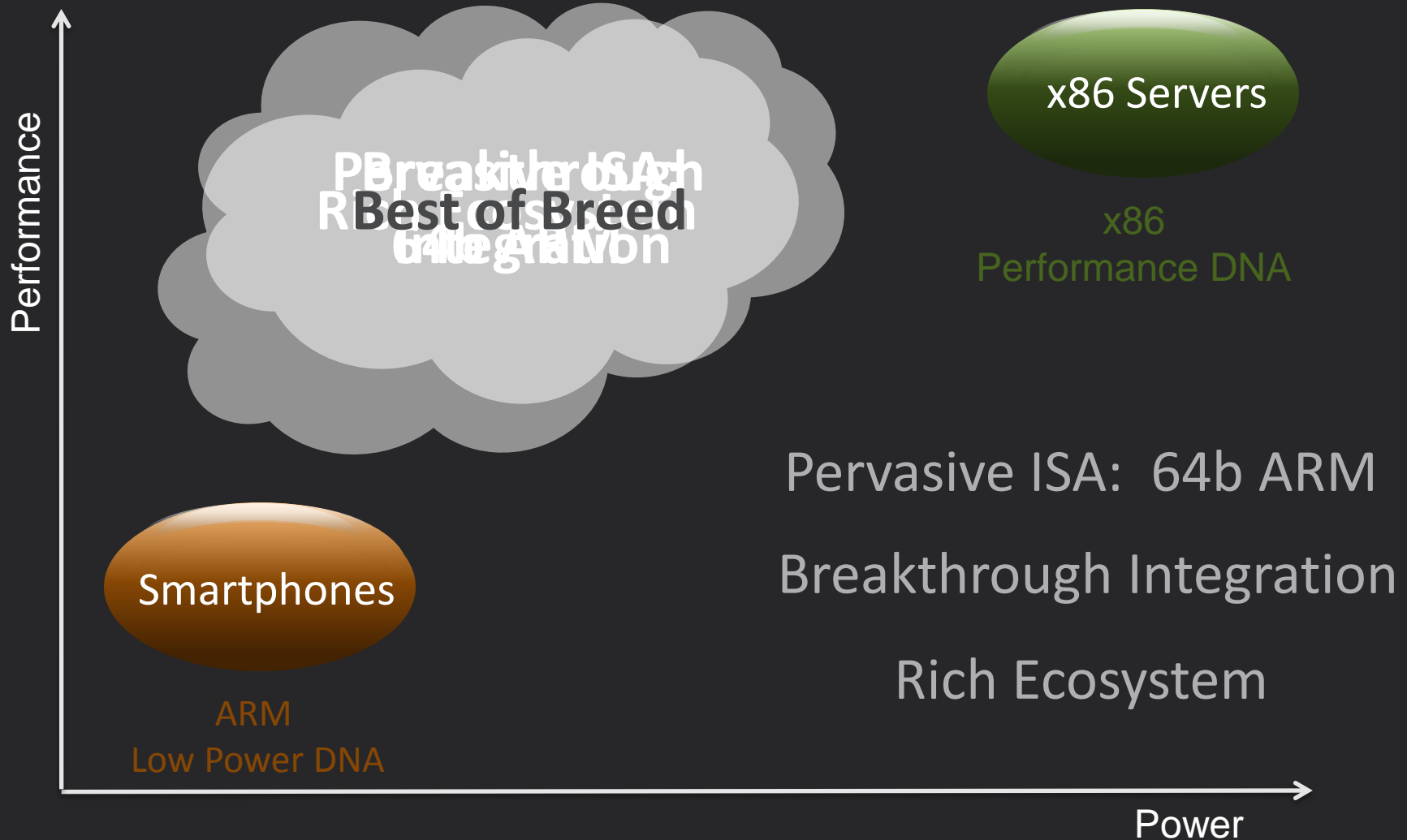
## Communications

- One to Many



Converged Cloud  
\$2.4B in 2017

# Status Quo: Inadequate and Lagging



Introducing

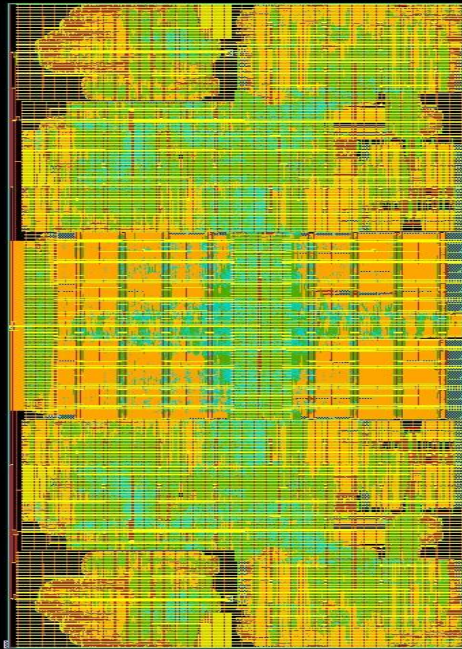
# X-Gene

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Revolutionary Silicon Server Platform

# X-Gene's Revolutionary CPU

Processor Module



3GHz High-Performance CPU

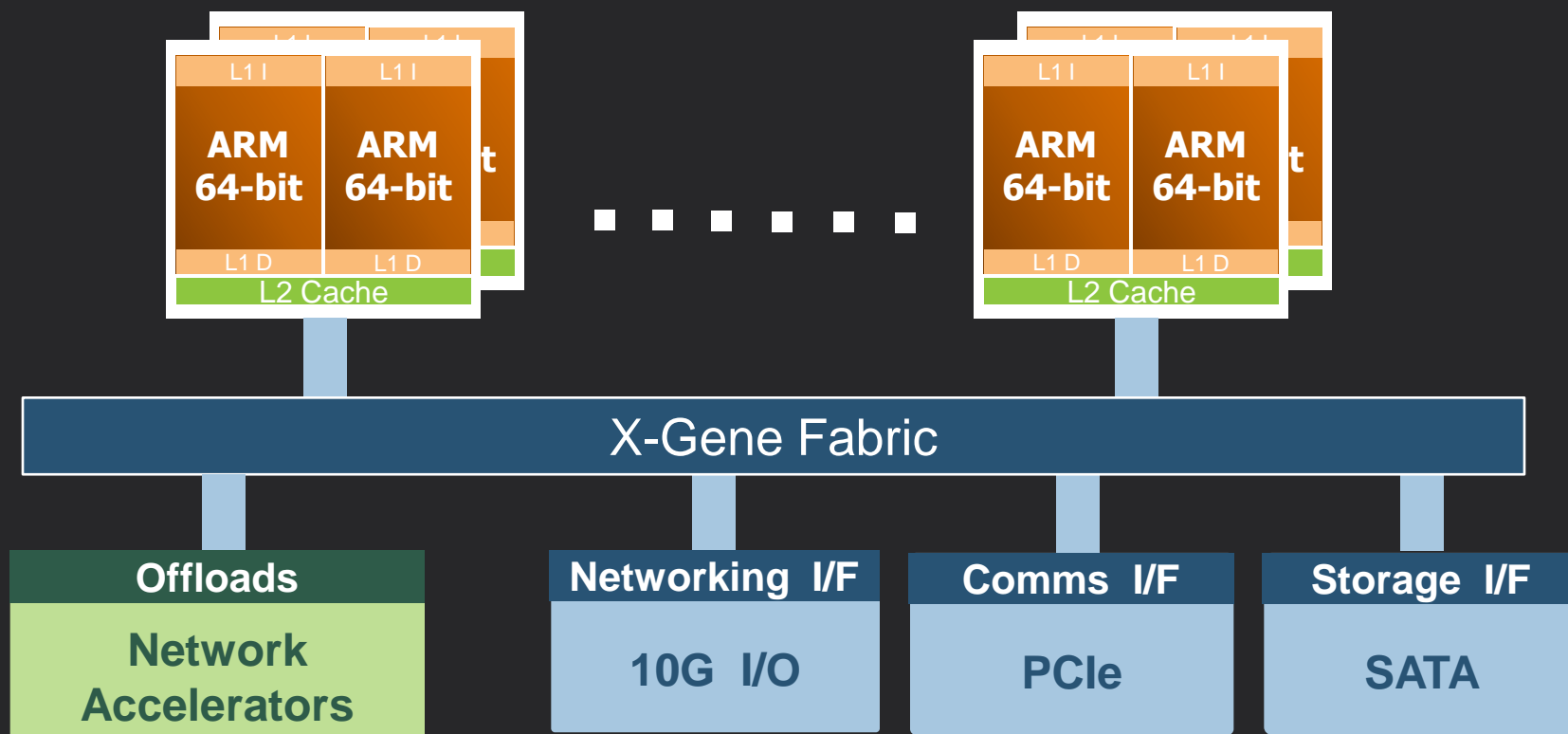
Super-Scalar, Quad-Issue OoO

Full CPU & I/O Virtualization

Server Class 64b-ARM v8

World's First 64b ARM Core

# X-Gene Server-on-Chip



# X-Gene: APM's DNA + Revolutionary CORE

## Multi-Terabit Coherent Fabric

Unprecedented Memory Bandwidth

Fully Non-Blocking with QoS

Ultra Low Latency

Scalable Up to 128 Cores

## Dedicated Engines

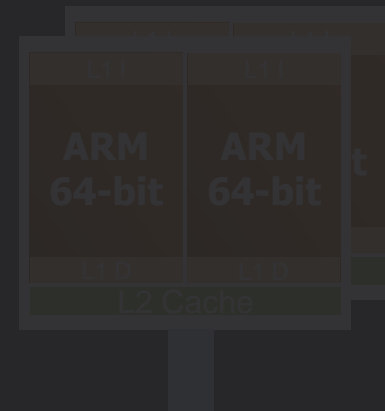
High Performance Network Accelerators

Full IO Virtualization

## Integrated Network

Integrated Communications I/O

Integrated NICs + 10/40/100G



# X-Gene : System Impact

Million Session 1RU Fanless Servers

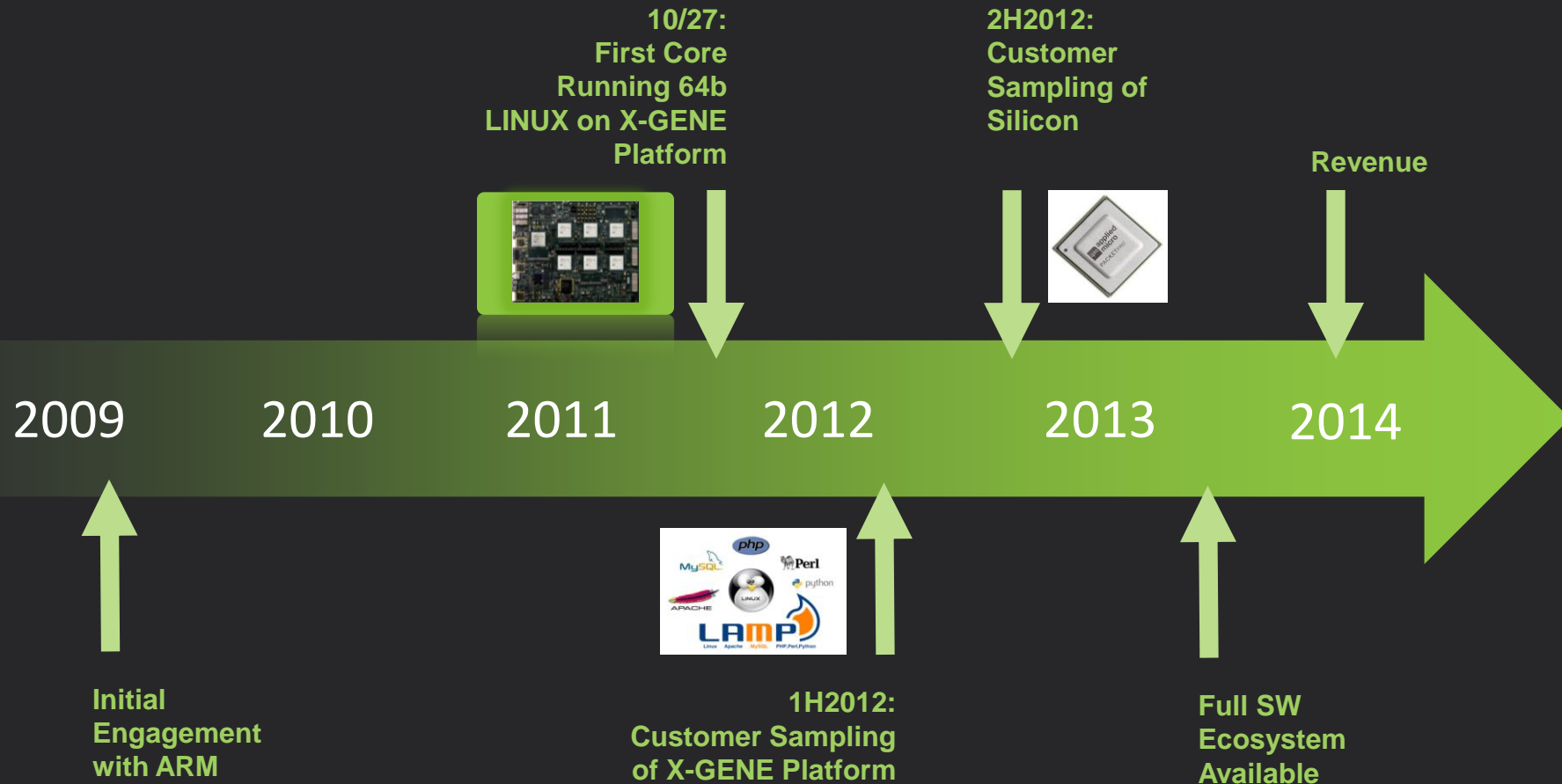


Order of Magnitude Reduction in TCO



Denser, Cooler, Smaller

# Cadenced Execution & Delivery Plan



**Customer Evaluation Begins Next Year**



# Market Expansion Impact

Low-to-Mid Range

Mid-to-High End Range

Enterprise  
+  
SMB  
+  
Datacenter

\$2B  
SAM

Embedded  
+  
Cloud

\$4B  
SAM

Base Business

Expanded Business





## **Key Take Aways**

**Continue to Gain PowerPC Market Share**

**Disrupt Cloud Server Market with ARM 64bit**

**Grow Telco & Datacom Business**

A dark, moody image of clouds at the top of the slide, transitioning into a dark gray background for the text.

# The New APM: \$6B Addressable Market

## Revolutionary Cloud Product Portfolio

### From Fiber to Backplane

### Disruptive Computing

# Agenda

Base Business Overview

Expanding our Markets: ARM 64 Servers for Cloud

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# Non-GAAP Income Statement – Trailing 6 Quarters

With ARM Expenses .....

	FY11 Q2 Actual	FY11 Q3 Actual	FY11 Q4 Actual	FY11 Q1 Actual	FY12 Q2 Actual	FY12 Q3 Actual	FY12 Q4 Street Est.
Revenue	66.0	62.4	58.6	60.8	64.9	56.3	52.0
Seq. Revenue Growth	8.5%	<5.4%>	<6.1%>	3.9%	6.7%	<13.2%>	<7.6%>
Gross Margin	68.9%	67.2%	62.3%	59.4%	58.5%	59.1%	59.0%
Operating Expenses	35.8	36.5	35.0	36.9	37.8	35.3	36.5
Operating Income	9.7	5.4	1.5	<0.7>	0.2	<2.0>	<5.8>
% of Revenue	14.6%	8.7%	2.5%	1.2%	0.3%	<3.6%>	<11.2%>
Pretax Income	11.1	7.0	2.7	0.6	1.1	<1.2>	<5.0>
% of Revenue	16.8%	11.2%	4.7%	1.0%	1.7%	<2.1%>	<9.6%>
EPS	0.16	0.10	0.04	0.01	0.02	<0.02>	<0.08>
Shares Outstanding	68	66	66	65	63	61	62

\* Revenue includes Licensing revenue



# Non-GAAP Income Statement – Trailing 6 Quarters

Without ARM Expenses .....

	FY11 Q2 Actual	FY11 Q3 Actual	FY11 Q4 Actual	FY11 Q1 Actual	FY12 Q2 Actual	FY12 Q3 Actual	FY12 Q4 Street Est.
Revenue	66.0	62.4	58.6	60.8	64.9	56.3	52.0
Seq. Revenue Growth	8.5%	<5.4%>	<6.1%>	3.9%	6.7%	<13.2>%	<7.6%>
Gross Margin	68.9%	67.2%	62.3%	59.4%	58.5%	59.1%	59.0%
Operating Expenses	31.9	31.9	30.2	31.7	30.6	26.4	26.8
Operating Income	13.5	10.0	6.3	4.5	7.4	6.9	3.9
% of Revenue	20.5%	16.0%	10.7%	7.4%	11.4%	12.3%	7.5%
Pretax Income	14.9	11.5	7.6	5.8	8.4	7.8	4.7
% of Revenue	22.6%	18.5%	12.9%	9.6%	12.9%	13.8%	9.0%
EPS	0.21	0.17	0.11	0.09	0.13	0.12	0.07
Shares Outstanding	68	66	66	65	63	61	62

\* Revenue includes Licensing revenue



# Non-GAAP Income Stmt. – FY12 Street Est.

With ARM Expenses .....

	FY10 Actual	FY11 Actual	FY12 St. Est.	YoY Change Amount %	
Revenue	205.6	247.7	234.1	-13.6	-5.5%
Seq. Revenue Growth	(4.0)%	20.5%	<5.5%>	-26.0 pts	
Gross Margin	61.0%	66.6%	59.0%	-7.6 pts	Un-Fav.
Operating Expenses	120.9	141.0	146.5	5.5	3.9%
Operating Income	4.4	23.9	<8.3>	-32.2	Un-Fav.
% of Revenue	2.2%	9.7%	<3.5%>	-13.2 pts	
Pretax Income	11.3	29.4	<4.4>	-33.8	-115.0%
% of Revenue	5.5%	11.8%	<1.9%>	-13.7 pts	
EPS	0.16	0.42	<0.07>	- 0.49	-116.7%
Shares Outstanding	68	67	63	-4	

\* Revenue Includes Licensing revenue

# Non-GAAP Income Stmt. – FY12 Street Est.

## WITHOUT ARM Expenses .....

	FY10 Actual	FY11 Actual	FY12 St. Est.	YoY Change Amount %	
Revenue	205.6	247.7	234.1	-13.6	-5.5%
Seq. Revenue Growth	(4.0)%	20.5%	<5.5%>	-26.0 pts	
Gross Margin	61.0%	66.6%	59.0%	-7.6 pts	Un-Fav.
Operating Expenses	113.0	124.6	115.4	-9.2	-7.4%
Operating Income	12.3	40.3	22.8	-17.5	Un-Fav.
% of Revenue	6.0%	16.3%	9.7%	-6.6 pts	
Pretax Income	19.1	45.7	26.7	-19.0	-41.6%
% of Revenue	9.3%	18.5%	11.4%	-7.1 pts	
EPS	0.27	0.66	0.41	- 0.25	-37.9%
Shares Outstanding	68	67	63	-4	

\* Revenue Includes Licensing revenue



# Assumptions For FY13 Financial Modeling

Revenue Growth Rate (YoY)

~Flat

Gross Margin %

~58.0% – 60.0%

OpEx

\$37.0M - \$38.0M Per Quarter

Tax Rate

~ 3%

Interest Income

~\$0.8M Per Quarter

Share Count

~62M (Average)

ARM 64 Expenses

\$12.0M → \$13.0M Per Quarter

# Non-GAAP Income Stmt. – FY13 Street Est.

With ARM Expenses .....

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Seq. Revenue Growth	(4.0)%	20.5%	<5.5%>	Flat
Gross Margin	61.0%	66.6%	59.0%	58.9%
Operating Expenses	120.9	141.0	146.5	150.7
Operating Income	4.4	23.9	<8.3>	<13.0>
% of Revenue	2.2%	9.7%	<3.5%>	<5.6%>
Pretax Income	11.3	29.4	<4.4>	<9.7>
% of Revenue	5.5%	11.8%	<1.9%>	<4.2%>
EPS	0.16	0.42	<0.07>	<0.15>
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Gross Margin	61.0%	66.6%	59.0%	58.9%
Operating Expenses	113.0	124.6	115.4	100.7
Operating Income	12.3	40.3	22.8	36.9
% of Revenue	6.0%	16.3%	9.7%	15.8%
Pretax Income	19.1	45.7	26.7	40.1
% of Revenue	9.3%	18.5%	11.4%	17.2%
EPS	0.27	0.66	0.41	0.63
Shares Outstanding	68	67	63	62

\* Revenue Includes Licensing revenue

# Balance Sheet

\$ 000s	FY09 3/31/09	FY10 3/31/10	FY11 3/31/11	FY12 12/31/11
<b>Assets</b>				
Current Assets				
Cash, Cash Equivalents and Investments	184.0	206.6	168.1	117.3
Accounts Receivable	17.5	22.9	20.0	30.8
Inventory	26.6	15.4	26.6	17.6
Other Current Assets	17.5	18.1	16.7	21.9
<b>Total Current Assets</b>	<b>245.6</b>	<b>263.0</b>	<b>231.4</b>	<b>187.6</b>
Long-term Assets and Goodwill	79.0	53.0	77.3	79.5
<b>Total Assets</b>	<b>324.6</b>	<b>316.0</b>	<b>308.7</b>	<b>267.1</b>
<b>Liabilities and Stockholders Equity</b>				
Total Liabilities	40.6	35.1	46.9	40.8
Total Stockholders' Equity	284.0	280.9	261.8	226.3
<b>Total Liabilities and Stockholders' Equity</b>	<b>324.6</b>	<b>316.0</b>	<b>308.7</b>	<b>267.1</b>

\*Historical balance sheet is net of Storage divestiture in April 2009 \*All liabilities are 'current' liabilities

FY12 decline in cash is mainly due to strategic investments and cash used for the share buy back made during the 1H of FY2012

## Strong Balance Sheet – Good Cash Position and No Debt



# Other Financial Topics

## Buyback Update

- \$16.5M open authorization
- Intent is to repurchase shares to offset ESPP/equity compensation dilution
- Timing of repurchases will vary; some share count variation will occur
- Repurchased 6.0M shares in Calendar 2011(1.5M in March 2011 qtr., 0.3M in June 2011 qtr., and 4.2M in the September quarter)

## M&A

- Always looking for opportunities to potentially add IP and talent (i.e., small acquisitions)
- Larger acquisitions possible but not likely
  - Would have to be strategic and accretive within ~Year 1

## CapEx

- Run rate historically → ~\$2-3M per quarter excluding mask sets
- FY12 expected to be similar except that we will tape out 4-6 new 40nm products which would add ~\$5-\$7M to Capex (each Mask Set at 40nm is ~\$1M - \$1.5M)



Thank You.

