



LETTER TO OUR SHAREHOLDERS

Fiscal year 2014 represented another year of solid financial and operating performance for Semtech. The Company posted the 7th record revenue year in the last 8 years and delivered a record \$118 million in cash from operations while reducing operating expenses to better align spending and new product investment.

Along with these financial accomplishments, Semtech released many new products across all of its product groups, achieved record new design wins, increased its exposure to new and emerging markets, and outpaced the analog industry as a whole.

During fiscal year 2014, Semtech drew recognition on several fronts. The Company was named by the Global Semiconductor Alliance as the Best Financially Managed Semiconductor Company, honored by *Forbes* as one of America's best small companies, and recognized by *Fortune* as one of the fastest 100 growing companies.



Global Semiconductor Alliance (GSA) Award

However, fiscal year 2014 was not without its challenges. The first half of fiscal year 2014 started off strongly, but inventory builds in the smartphone and communications segments along with the continued push-out of carrier capex spending in the optical long-haul market weighed on our second half results, resulting in a decision to exit the optical long-haul market and to reorganize the Company into three new product groups. Our balanced end-market exposure, broad-based product offering and diverse customer base allowed us to deliver record results despite these challenges.

Looking at fiscal year 2015, we see the emergence of several new and exciting areas for Semtech, including emerging applications such as Smart Sensing, Ultra High Definition, High-Speed Backplanes, Wearable Electronics and the *Internet of Things (IoT)*. We expect to continue to bring leading analog and mixed-signal technology and products to these emerging markets and to benefit from the unique capabilities and relationships we have in these markets.

Despite the headwinds we faced in the second half of fiscal year 2014, I believe that with our restructuring and cost reduction efforts we are very well positioned to continue to grow and outperform in the years ahead. We remain focused on being a fast growing, diverse analog and mixed-signal product company that has a balanced end market, product and geographical exposure. We believe that this balanced approach to our business will enable us to continue to drive value to our shareholders as we strive to achieve our long-term operating target model of \$1 billion in revenue, 60% gross margin and 30% operating margin. Thank you for your confidence and loyalty.

Mohan Maheswaran
President and Chief Executive Officer