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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**  
**FORM 10-K**

(Mark One)

- ☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
For the fiscal year ended January 1, 2022
- ☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 000-29823

**SILICON LABORATORIES INC.**

(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction of incorporation or organization)

**74-2793174**  
(I.R.S. Employer Identification No.)

**400 West Cesar Chavez, Austin, Texas**  
(Address of principal executive offices)

**78701**  
(Zip Code)

**(512) 416-8500**  
(Registrant's telephone number, including area code)  
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$0.0001 par value	SLAB	The NASDAQ Stock Market LLC

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. ☒ Yes ☐ No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. ☐ Yes ☒ No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Sections 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). ☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐ Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ☐ Yes ☒ No

The aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold as of the last business day of the registrant's most recently completed second fiscal quarter (July 2, 2021) was approximately \$6.7 billion (assuming, for this purpose, that only directors and officers are deemed affiliates).

There were 38,198,127 shares of the registrant's common stock issued and outstanding as of January 24, 2022.

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the Proxy Statement for the registrant's 2022 Annual Meeting of Stockholders are incorporated by reference into Part III of this Form 10-K.

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## Cautionary Statement

*Except for the historical financial information contained herein, the matters discussed in this report on Form 10-K (as well as documents incorporated herein by reference) may be considered “forward-looking” statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Such forward-looking statements include declarations regarding the intent, belief or current expectations of Silicon Laboratories Inc. and its management and may be signified by the words “believe,” “estimate,” “expect,” “intend,” “anticipate,” “plan,” “project,” “will” or similar language. You are cautioned that any such forward-looking statements are not guarantees of future performance and involve a number of risks and uncertainties. Actual results could differ materially from those indicated by such forward-looking statements. Factors that could cause or contribute to such differences include those discussed under “Risk*

*Factors” and elsewhere in this report. Silicon Laboratories disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.*

## **Part I**

### **Item 1. Business**

#### **Overview**

Silicon Laboratories Inc. is a leader in secure, intelligent wireless technology for a more connected world. Our integrated hardware and software platform, intuitive development tools, industry leading ecosystem and robust support enable customers in building advanced industrial, commercial, home and life applications. We make it easy for developers to solve complex wireless challenges throughout the product lifecycle and get to market quickly with innovative solutions that transform industries, grow economies and improve lives.

We are pioneers in wireless innovation and have spent the last two decades simplifying the complexity of radio frequency (“RF”) from silicon to cloud. Our leading IoT platform helps customers quickly create secure, intelligent connected devices that solve some of the world’s biggest challenges. Our team and technology assist customers to build connected devices that measurably solve development challenges, including energy efficiency, economic growth, better health, infrastructure innovation, sustainable cities and responsible production.

Our semiconductor devices leverage standard complementary metal oxide semiconductor (CMOS), a low cost, widely available process technology. Use of CMOS technology enables smaller, more cost-effective and energy-efficient solutions. Our software expertise allows us to develop products for markets where intelligent data capture, high-performance processing and communication are increasingly important product differentiators. We also focus design and engineering efforts on technologies that simplify and accelerate adoption by customers of security features engineered into our silicon chips. Our expertise in analog-intensive, mixed-signal IC design in CMOS and software development allows us to develop new and innovative products that are highly integrated and secure, simplifying our customers’ designs and improving their time-to-market.

#### **Industry Background**

Intelligence is being added to electronic systems to enable internet connectivity, power efficiency, monitoring of health, safety and consumption of precious resources and an improved user experience. This in turn is increasing the demand for bandwidth, requiring more infrastructure to support higher performance networks. The nearly ubiquitous availability of internet access and the increasing intelligence of electronic devices and mobility are enabling what is called the Internet of Things, a term that describes the exponential increase in IP-enabled devices connected to the internet.

These trends require more and more interaction between the analog world we live in and the digital world of computing, which is driving the need for analog-intensive, mixed-signal circuits in a wide range of electronic products. Traditional mixed-signal designs relied upon solutions built with numerous, complex discrete analog and digital components. While these traditional designs provide the required functionality, they are often inefficient and inadequate for use in markets where size, cost, power consumption, performance and security are increasingly important product differentiators. To improve their competitive position, electronics manufacturers must reduce the cost and complexity of their systems and enable new features or functionality to differentiate themselves from their competitors.

Simultaneously, these manufacturers face accelerating time-to-market demands and must rapidly adapt to evolving industry standards and new technologies. Because analog-intensive, mixed-signal design expertise is difficult to find, these manufacturers increasingly are turning to third parties, like us, to provide advanced mixed-signal solutions. Mixed-signal design requires specific expertise and relies on creative, experienced engineers to deliver solutions that optimize speed, power and performance, despite the noisy digital environment, and within the constraints of standard manufacturing processes. The development of this design expertise typically requires years of practical analog design experience under the guidance of a senior engineer, and engineers with the required level of skill and expertise are in short supply.

Many IC solution providers lack sufficient analog expertise to develop compelling mixed-signal products. As a result, manufacturers of electronic devices value providers that can supply them with mixed-signal solutions offering greater functionality, smaller size and lower power requirements at a reduced cost and shorter time-to-market.

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## **Products**

We provide analog-intensive, mixed-signal solutions for use in a variety of electronic products in a broad range of applications for the IoT including connected home and security, industrial automation and control, smart metering, smart lighting, commercial building automation, consumer electronics, asset tracking and medical instrumentation. We have built a leading wireless development platform and product portfolio for the IoT based on Zigbee®, sub-GHz proprietary technologies, Bluetooth®, Z-Wave®, Thread, and Wi-Fi®. We have developed a fully integrated, certified Wi-SUN® solution simplifying Low Power Wide Area Network (LPWAN) deployment for smart cities.

We have continued to diversify our product portfolio and introduce new products and solutions through both organic investment and acquisitions. Mergers and acquisitions are an important part of our growth strategy.

Our products integrate complex mixed-signal functions that are frequently performed by numerous discrete components in competing products into a single chip, chipset or system-on-chip (SoC). By doing so, we create products that, when compared to many competing products, offer the following benefits:

- Require less printed circuit board (PCB) space;
- Reduce the use of external components lowering the system cost and simplifying design;
- Offer superior performance improving our customers' end products;
- Provide increased reliability and manufacturability, improving customer yields; and/or
- Reduce system power requirements enabling smaller form factors and/or longer battery life.

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Revenues during fiscal 2021, 2020 and 2019 were generated predominately by sales of our mixed-signal products. The following table summarizes the diverse product areas and applications for the various products that we have introduced to customers:

<u>Product Areas and Description</u>	<u>Applications</u>
<i>Wireless Microcontrollers and Sensor Products</i> Our EFM32™, EFM8™, 8051, wireless MCUs and wireless SoCs are based on numerous wireless protocols, including Zigbee, sub-GHz proprietary, Bluetooth, Z-Wave, Thread and Wi-Fi technologies. Our family of products are ideally suited to ultra-low power IoT embedded systems that include energy friendly 8-bit mixed-signal microcontrollers, ultra-low power 32-bit microcontroller and wireless MCU connectivity solutions using the ARM® Cortex-M0+/M3/M4 and newer M33 cores. Single and multi-protocol SoC devices and modules provide flexible, highly integrated solutions designed to meet demanding requirements of IoT applications. The introduction of our Series 2 portfolio provides a greater focus on updatable device security which is becoming vital to the evolution and success of IoT. We bring enhanced capability to the industry protecting user data, system keys and manufacturer brands from malicious threats both hands-on and internet-based. Our broad portfolio addresses a variety of target markets, including smart home, commercial (building automation and retail) and industrial (smart energy, factory automation, smart cities).	<ul style="list-style-type: none"><li>- Home automation /security systems</li><li>- Industrial automation and control</li><li>- Smart metering</li><li>- Smart lighting</li><li>- Commercial building automation</li><li>- Patient monitoring</li><li>- Connected medical products</li><li>- Smart appliances</li><li>- Smart speaker</li><li>- Access control</li><li>- HVAC control</li><li>- Cameras</li><li>- Asset tracking</li><li>- Medical instrumentation</li><li>- Consumer health &amp; fitness (wearables)</li><li>- Smart home sensing</li><li>- Toys and consumer electronics</li><li>- Monitors and lavatory controls</li></ul>

Our sensor products include optical sensors (proximity, ambient light gestures and heart rate monitoring), as well as relative humidity (RH) / temperature sensors and Hall effect magnetic sensors. These devices leverage our mixed-signal capability to provide high accuracy, process technology to improve performance and lower power consumption than competing parts.

Our products are supported by Simplicity Studio™, which provides one-click access to design tools, documentation, software and support resources. In-house protocol stacks and Micrium® real-time operating system (RTOS) help simplify software development for IoT developers by coordinating and prioritizing multiprotocol connectivity, SoC peripherals and other system-level activities.

## **Divestiture**

On April 22, 2021, we entered into an Asset Purchase Agreement pursuant to which Skyworks Solutions, Inc. agreed to acquire certain assets, rights, and properties, and assume certain liabilities, comprising our infrastructure and automotive business for \$2.75 billion in cash. The transaction closed on July 26, 2021. See Note 3, *Discontinued Operations*, to the Consolidated Financial Statements for additional information.

## **Customers, Sales and Marketing**

We market our products through our direct sales force and through a network of independent sales representatives and distributors. Direct and distribution customers buy on an individual purchase order basis, rather than pursuant to long-term agreements.

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We consider our customer to be the end customer purchasing either directly from a distributor, a contract manufacturer or us. During fiscal 2021, our ten largest end customers accounted for 21% of our revenues. We had no customer that represented more than 10% of our revenues during this period. An end customer purchasing through a contract manufacturer typically instructs such contract manufacturer to obtain our products and incorporate such products with other components for sale by such contract manufacturer to the end customer. Although we sell the products to, and are paid by distributors and contract manufacturers, we refer to such end customer as our customer. Three of our distributors who sell to our customers, Arrow Electronics, Edom Technology and Sekorm, each represented 28%, 18% and 12% of our revenues during fiscal 2021, respectively.

We maintain numerous sales offices in Asia, the Americas and Europe. Revenue is attributed to a geographic area based on the shipped-to location. The percentage of our revenues derived from outside of the United States was 86% in fiscal 2021.

Our direct sales force is comprised of many sales professionals who possess varied levels of responsibility and experience, including directors, country managers, regional sales managers, district sales managers, strategic account managers, field sales engineers and sales representatives. We also utilize independent sales representatives and distributors to generate sales of our products. We have relationships with many independent sales representatives and distributors worldwide whom we have selected based on their understanding of the mixed-signal marketplace and their ability to provide effective field sales applications support for our products.

Our marketing efforts are targeted at both identified industry leaders and emerging market participants. Direct marketing activities are supplemented by a focused marketing communications effort that seeks to raise awareness of our company and products. Our public relations efforts are focused on leading trade and business publications. Our external website is used to deliver corporate and product information. We also pursue targeted advertising in key trade publications and we have a cooperative marketing program that allows our distributors and representatives to promote our products to their local markets in conjunction with their own advertising activities. Finally, we maintain a presence at strategic trade shows and industry events. These activities, in combination with direct sales activities, help drive demand for our products.

Due to the complex and innovative nature of our products, we employ experienced applications engineers who work closely with customers and distributors to support the design-win process, and can significantly accelerate the customer's time to market. A design win occurs when a customer has designed our ICs into its product architecture and ordered product from us. A considerable amount of effort to help a customer incorporate our ICs into its products is typically required prior to any sale. In many cases, our innovative ICs require significantly different implementations than existing approaches and, therefore, successful implementations may require extensive communication with potential customers. The amount of time required to achieve a design win can vary substantially depending on a customer's development cycle, which can be relatively short (such as three months) or very long (such as two years) based on a wide variety of customer factors. Not all design wins ultimately result in revenue, or may result in less revenue than expected. However, once a completed design architecture has been implemented and produced in high volumes, our customers are reluctant to significantly alter their designs due to this extensive design-win process. We believe this process, coupled with our intellectual property protection, promotes relatively longer product life cycles for our products and high barriers to entry for competitive products, even if such competing products are offered at lower prices. Our close collaboration with our customers provides us with knowledge of derivative product ideas or completely new product line offerings that may not otherwise arise in other new product discussions.

## **Research and Development**

Through our research and development efforts, we leverage experienced analog and mixed-signal engineering talent and expertise to create new ICs that integrate functions typically performed less efficiently by multiple discrete components. This integration generally results in lower costs, smaller die sizes, lower power demands and enhanced price/performance characteristics. We attempt to reuse successful techniques for integration in new applications where similar benefits can be realized. We believe that we have attracted many of the best engineers in our industry. We believe that reliable and precise analog and mixed-signal ICs can only be developed by teams of engineers who have significant analog experience and are familiar with the intricacies of designing these ICs for commercial volume production. The development of test methodologies is just one example of a critical activity requiring experience and know-how to enable the rapid release of a new product for commercial success. We have accumulated a vast set of trade secrets that allow us to pursue innovative approaches to mixed-signal problems that are difficult for competitors to duplicate. We highly value our engineering talent and strive to maintain a very high bar when bringing new recruits to the company.

Research and development expenses were \$273.2 million, \$235.2 million and \$205.7 million in fiscal 2021, 2020 and 2019, respectively.

## Technology

Our product development process facilitates the design of highly-innovative, analog-intensive, mixed-signal ICs. Our engineers' deep knowledge of existing and emerging standards and performance requirements helps us to assess the technical feasibility of a particular IC. We target areas where we can provide compelling product improvements. Once we have solved the primary challenges, our field application engineers continue to work closely with our customers' design teams to maintain and develop an understanding of our customers' needs, allowing us to formulate derivative products and refined features.

In providing mixed-signal ICs for our customers, we believe our key competitive advantages are:

- Analog and RF design expertise in CMOS;
- Mixed-signal, firmware and system design expertise;
- Microcontroller and system on a chip design expertise;
- Software expertise, including multiprotocol connectivity and real-time operating systems for the IoT;
- Module integration and wireless design expertise;
- Silicon-to-cloud security integration expertise; and
- Our broad understanding of systems technology and trends.

To fully capitalize on these advantages, we have assembled a world-class development team with exceptional analog and mixed-signal design expertise led by accomplished senior engineers.

### *Analog and RF Design Expertise in CMOS*

We believe that our most significant core competency is world-class analog and RF design capability. Additionally, we strive to design substantially all our ICs in standard CMOS processes. Most of our product designs now incorporate some type of RF in CMOS technology. While it is often significantly more difficult to design analog ICs in CMOS, CMOS provides multiple benefits versus existing alternatives, including significantly reduced cost, reduced technology risk and greater worldwide foundry capacity. CMOS is the most commonly used process technology for manufacturing digital ICs and as a result is most likely to be used for the manufacturing of ICs with finer line geometries. These finer line geometries can enable smaller and faster ICs. By designing our ICs in CMOS, we enable our products to benefit from this trend towards finer line geometries, which allows us to integrate more digital functionality into our mixed-signal ICs.

Designing analog and mixed-signal ICs is significantly more complicated than designing standalone digital ICs. While advanced software tools exist to help automate digital IC design, there are far fewer tools for advanced analog and mixed-signal IC design. In many cases, our analog circuit design efforts begin at the fundamental transistor level. We believe that we have a demonstrated ability to design the most difficult analog and RF circuits using standard CMOS technologies.

### *Mixed-Signal, Firmware and System Design Expertise*

We consider the partitioning of a circuit to be a proprietary and creative design technique. Deep systems knowledge allows us to use our mixed-signal and RF in CMOS design expertise to maximize the price/performance characteristics of both the analog and digital functions and allow our ICs to work in an optimized manner to accomplish particular tasks. Generally, we attempt to move analog functions into the digital domain as quickly as possible, creating system efficiencies without compromising performance. These patented approaches require our advanced signal processing and systems expertise. We then leverage our firmware know-how to change the 'personality' of our devices, optimizing features and functions needed by various markets we serve. For example, our wireless SoC devices for IoT applications integrate both digital and analog domains in a single chip. The SoCs combine ARM Cortex-M processor cores, a variety of digital and analog peripherals, hardware cryptography accelerators, and analog-intensive multiprotocol radio transceivers. This system integration at the chip level leverages our deep expertise in mixed-signal and RF design, and low-power wireless MCU architectures pioneered for more than a decade.

### *Microcontroller and System on a Chip Design Expertise*

We have the talent and circuit integration methodologies required to combine precision analog, high-speed digital, flash memory and in-system programmability into a single, monolithic CMOS integrated circuit. Our microcontroller products are designed to capture an external analog signal, convert it to a digital signal, compute digital functions on the stream of data and then communicate the results through a standard digital interface. The ability to develop standard products with the broadest possible customer application base while being cost efficient with the silicon area of the monolithic CMOS integrated circuit requires a keen sense of customer value and engineering capabilities. Additionally, to manage the wide variety of signals on a monolithic piece of silicon including electrical noise, harmonics and other electronic distortions requires a fundamental knowledge of device physics and accumulated design expertise.

### *Software Expertise*

Our software expertise allows us to develop products for markets where intelligent data capture, high-performance processing and communication are increasingly important product differentiators. The software we have developed to address these markets enables machine-to-machine communications, providing intelligence to electronic systems. Our products integrate high-performance, low-power wireless and microcontroller ICs with reliable and scalable software into a flexible and robust networking platform.

The demand for low-power, small-footprint wireless technology is accelerating as more and more IP-enabled end points are being connected to the IoT. Our software enables a broad range of power-sensitive applications for the IoT, including smart energy, home automation, security and other connected products. We believe that the combination of our software and IC design expertise differentiates us from many of our competitors.

As the IoT continues to mature, a new class of embedded applications is emerging, presenting feature-rich and task-intensive use cases. This growing complexity is driving the need for real-time operating systems to help simplify software development for IoT applications by coordinating and prioritizing multiprotocol connectivity, SoC peripherals and other system-level activities. In addition to being able to manage numerous application tasks, an RTOS enhances scalability, and makes complex applications predictable and reliable. To address these application needs, in 2016 we acquired Micrium, an embedded RTOS provider. Micrium has established itself as a reliable, high performance and trusted RTOS software platform, with an installed base that has grown to millions of devices.

### *Module Integration and Wireless Design Expertise*

The market for wireless modules has grown as customers search for solutions that provide turnkey wireless connectivity for their products. The development of modules is difficult due to stringent requirements, including high levels of integration, programmability, performance, reliability, security and power efficiency. In addition, designs must meet numerous wireless standards deployed in various environments and serving diverse requirements.

Our combined expertise in IC design and software development allows us to engineer modules that provide robust, high-performance connections in challenging wireless environments. We have developed wireless modules based on numerous wireless standards, including Z-Wave, Bluetooth, Zigbee, Thread, Wi-Fi and sub-GHz. We believe our demonstrated proficiency in the design of modules provides our customers with significant advantages such as fast time to market, reduced development cost, global wireless certifications and software reuse.

### *Silicon-to-Cloud Security Integration Expertise*

Security is of paramount importance to our customers. More than ever before, device manufacturers and OEMs developing IoT products have specific needs to ensure their solutions are secure. Security is a complex endeavor involving the convergence of multiple integrated hardware and software technologies. IoT products are designed to ensure the devices operate in a trusted and reliable manner, enforce policies as well as protect the confidentiality, authenticity and integrity of data and private information being processed and transmitted. The building blocks are built in hardware based on dedicated IC security components integrated into SoC designs. These specialized security components are designed to enhance cryptographic capabilities and exploit unique physical characteristics of CMOS to establish foundations of trust and enable device identity and assurance.

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In addition to developing specific security hardware and software capabilities, we also focus design and engineering efforts on technologies that simplify and accelerate adoption by customers of security features engineered into our silicon chips. This is primarily achieved through software tools such as Simplicity Studio and its integration with cloud-based services that simplify implementation, reduce complexity and enable management of security for fleets of devices. Those capabilities are designed to help customers develop products and solutions with chip-to-cloud security integration, enable faster time to market and reduce security defects, risks and losses due to security attacks and incidents. We are creating innovative security solutions that enable customers to develop best-in-class, simple and economical solutions. We will continue investing in security-specific research and development that addresses a dynamic threat landscape, emerging regulatory requirements, and evolving customer security and privacy needs.

#### *Understanding of Systems Technology and Trends*

Our focused expertise in mixed-signal ICs is the result of the breadth of engineering talent we have assembled with experience working in analog-intensive CMOS design for a wide variety of applications. This expertise, which we consider a competitive advantage, is the foundation of our in-depth understanding of the technology and trends that impact electronic systems and markets. Our expertise includes:

- Frequency synthesis, which is core technology for wireless and clocking applications;
- Integration, which enables the elimination of discrete components in a system; and
- Signal processing and precision analog, which forms the heart of consumer, industrial, medical and automotive electronics applications.

Our understanding of the role of analog/digital interfaces within electronic systems, standards evolution, and end market drivers enables us to identify product development opportunities and capitalize on market trends.

#### **Manufacturing**

As a fabless semiconductor company, we conduct IC design and development in our facilities and electronically transfer our proprietary IC designs to third-party semiconductor fabricators who process silicon wafers to produce the ICs that we design. Our IC designs typically use industry-standard CMOS manufacturing process technology to achieve a level of performance normally associated with more expensive special-purpose IC fabrication technology. We believe the use of CMOS technology facilitates the rapid production of our ICs within a lower cost framework. Our IC production employs submicron process geometries which are readily available from leading foundry suppliers worldwide, thus increasing the likelihood that manufacturing capacity will be available throughout our products' life cycles. We currently partner primarily with Taiwan Semiconductor Manufacturing Co. (TSMC) and Semiconductor Manufacturing International Corporation (SMIC) to manufacture the majority of our semiconductor wafers. We believe that our fabless manufacturing model significantly reduces our capital requirements and allows us to focus our resources on design, development and marketing of our ICs.

Once the silicon wafers have been produced, they are shipped directly to our third-party assembly subcontractors. The assembled ICs are then moved to the final testing stage. This operation can be performed by the same contractor that assembled the IC, other third-party test subcontractors or within our internal facilities prior to shipping to our customers. During fiscal 2021, most of our units shipped were tested by offshore third-party test subcontractors. We expect that our utilization of offshore third-party test subcontractors will remain substantial during fiscal 2022.

The impacts of the COVID-19 pandemic on our suppliers are uncertain, evolving and dependent on numerous unpredictable factors outside of our control. If our suppliers experience closures or reductions in their capacity utilization levels in the future, we may have difficulty sourcing materials necessary to fulfill production requirements. Disruptions to our business and supply chain (and the business and supply chains of our customers) could cause significant delays in shipments of our products until we are able to shift our manufacturing, assembling or testing from the affected subcontractor to another third-party vendor. Capacity is currently limited at certain of our third-party foundry, assembly and test subcontractors due to a spike in semiconductor demand.

## **Backlog**

We include in backlog accepted product purchase orders from customers and worldwide distributor stocking orders. Product orders in our backlog are subject to changes in delivery schedules or cancellation at the option of the purchaser typically without penalty. Our backlog may fluctuate significantly depending upon customer order patterns which may, in turn, vary considerably based on rapidly changing business circumstances. Accordingly, we do not believe that our backlog at any time is necessarily representative of actual sales for any succeeding period.

## **Competition**

The markets for semiconductors generally, and for analog and mixed-signal ICs in particular, are intensely competitive. We anticipate that the market for our products will continually evolve and will be subject to rapid technological change. We believe the principal competitive factors in our industry are:

- Product size;
- Level of integration;
- Product capabilities;
- Reliability;
- Price;
- Performance;
- Power requirement;
- Customer support;
- Reputation;
- Ability to rapidly introduce new products to market;
- Intellectual property; and
- Software.

We believe that we are competitive with respect to these factors, particularly because our ICs typically are smaller in size, are highly integrated, achieve high performance specifications at lower price points than competitive products and are manufactured in standard CMOS which generally enables us to supply them on a relatively rapid basis to customers to meet their product introduction schedules. However, disadvantages we face include our relatively short operating history in certain of our markets and the need for customers to redesign their products and modify their software to implement our ICs in their products.

Due to our diversified product portfolio and the numerous markets and applications we serve, we target a relatively large number of competitors. We compete with Broadcom, Espressif, Infineon, MediaTek, Microchip, Nordic Semiconductor, NXP, Qualcomm, Renesas, STMicroelectronics, Synaptics, Telink, Texas Instruments and others. We expect to face competition in the future from our current competitors, other manufacturers and designers of semiconductors and start-up semiconductor design companies. Our competitors may also offer bundled solutions offering a more complete product, which may negatively impact our competitive position despite the technical merits or advantages of our products. In addition, our customers could develop products or technologies internally that would replace their need for our products and would become a source of competition. We could also face competition from module makers or other systems suppliers that may include mixed-signal components in their products that could eliminate the need for our ICs.

Many of our competitors and potential competitors have longer operating histories, greater name recognition, access to larger customer bases, complementary product offerings, and significantly greater financial, sales and marketing, manufacturing, distribution, technical and other resources than us. Current and potential competitors have established or may establish financial and strategic relationships between themselves or with our existing or potential customers, resellers or other third parties. Accordingly, it is possible that new competitors or alliances among competitors could emerge and rapidly acquire significant market share.

## **Intellectual Property**

Our future success depends in part upon our proprietary technology. We seek to protect our technology through a combination of patents, copyrights, trade secrets, trademarks and confidentiality procedures. As of January 1, 2022, we had approximately 1,377 issued or pending United States and foreign patents. Patents generally have a term of twenty years from the date they are filed. As our patent portfolio has been built over time, the remaining terms of the individual patents in our patent portfolio vary. There can be no assurance that patents will ever be issued with respect to our patent applications. Furthermore, it is possible that any patents held by us may be invalidated, circumvented, challenged or licensed to others. In addition, there can be no assurance that such patents will provide us with competitive advantages or adequately safeguard our proprietary rights. While we continue to file new patent applications with respect to our recent developments, existing patents are granted for prescribed time periods and will expire at various times in the future.

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We claim copyright protection for proprietary documentation for our products. We have filed for registration, or are in the process of filing for registration, the visual images of certain ICs with the U.S. Copyright Office. We have registered the “Silicon Labs” logo and a variety of other product and product family names as trademarks in the United States and selected foreign jurisdictions. All other trademarks, service marks or trade names appearing in this report are the property of their respective owners. We also attempt to protect our trade secrets and other proprietary information through agreements with our customers, suppliers, employees and consultants, and through other customary security measures. We intend to protect our rights vigorously, but there can be no assurance that our efforts will be successful. In addition, the laws of other countries in which our products are sold may not protect our products and intellectual property rights to the same extent as the laws of the United States.

While our ability to effectively compete depends in large part on our ability to protect our intellectual property, we believe that our technical expertise and ability to introduce new products in a timely manner will be an important factor in maintaining our competitive position.

Many participants in the semiconductor and electronics industries have a significant number of patents and have frequently demonstrated a readiness to commence litigation based on allegations of patent and other intellectual property infringement. From time to time, third parties may assert infringement claims against us. We may not prevail in any such litigation or may not be able to license any valid and infringed patents from third parties on commercially reasonable terms, if at all. Litigation, regardless of the outcome, is likely to result in substantial cost and diversion of our resources, including our management’s time. Any such litigation could materially adversely affect us.

Our licenses include industry standard licenses with our vendors, such as wafer fabrication tool libraries, third-party core libraries, computer-aided design applications and business software applications.

## **Human Capital**

Our success depends on our ability to continue to attract, retain and motivate qualified employees, particularly highly skilled analog and mixed-signal engineers and senior management personnel. We strive to meet this objective by offering competitive compensation and benefits in a diverse, inclusive and safe workplace, with opportunities for our employees to grow and develop in their careers.

As of January 1, 2022, we employed 1,667 people, of whom more than 60% are in engineering roles. Women represent approximately 20% of our workforce and men represent approximately 80%. We are a multi-national and multi-ethnic workforce, with sites and employees in more than a dozen countries. We are committed to fostering a diverse and inclusive workplace that attracts and retains exceptional talent. We actively promote diversity in our recruitment, development and promotion practices. These principles are also reflected in our employee training, in particular with respect to our policies against harassment, discrimination and the elimination of bias in the workplace.

We hold our employees to high performance standards and our compensation plans are designed to deliver competitive base pay and attractive incentive opportunities. Our benefits programs are tailored to the various countries in which we operate. We benchmark for market practices, and regularly review our compensation and benefit programs against the market to ensure they remain competitive.

We support a high-performance culture through learning and development solutions aligned with our strategic priorities. Our approach is business-centric, accessible and inclusive. Employees continuously collaborate and share their expertise through an internal training program consisting of classes and workshops that help strengthen technical and professional skills and advance careers. We also host university professors and external speakers to broaden knowledge, trigger creativity and inspire innovation. Our e-learning libraries and on-demand training videos allow employees to absorb information at their own pace and share their recommendations with co-workers. Employees are invited to attend our annual two-day technical symposium featuring peer-reviewed presentations showcasing our internal technical achievements and talks from outside experts to educate and inspire our workforce. Our talent development programs provide employees with the resources they need to help achieve their career goals, build management skills and lead their organizations. We regularly review succession plans and focus on promoting internal talent to help grow our employees’ careers.

We believe that our future success will be dependent on retaining the services of our key personnel, developing their successors and properly managing the transition of key roles when they occur. Our key technical personnel represent a significant asset and serve as the primary source for our technological and product innovations. We use employee surveys to better understand and improve the employee experience and identify opportunities to continually strengthen our work philosophy. We use employee feedback to drive and improve processes and ensure a deep understanding of our culture and vision among our employees. We believe the development of our company culture, along with competitive compensation, career growth and development opportunities have helped increase employee tenure and reduce voluntary turnover. During fiscal 2021, our voluntary employee turnover rate was approximately 10%.

The health and safety of our employees is of utmost important to us. We offer comprehensive benefits to protect the health of our employees and their families as well as their way of life. We provide our employees and their families with access to a variety of innovative, flexible and convenient health and wellness programs that support their physical and mental health by providing tools and resources to help them improve or maintain their health status. In response to the COVID-19 pandemic, we implemented a response plan that we believe was in the best interest of our employees and the communities in which we operate. This included largely transitioning our global workforce to a remote work model, while implementing additional safety measures for essential employees continuing critical on-site work.

### **Corporate Social Responsibility**

As a global corporate citizen, we are committed to environmental sustainability, operational excellence, and providing support for people and communities around the world. We live by our promise to "do the right thing" for our employees, customers, shareholders, communities and planet. We strive to minimize resource use and reduce the environmental impact of our production processes by designing smaller and more energy-efficient products, conserving energy and precious resources, and investing in sustainable technologies and energy conservation practices. Innovative solutions don't stop at our products – we are focused on addressing complex community challenges through collaborative, actionable and results-driven programs. Our philanthropy program provides financial, volunteer and in-kind support to organizations that are solving critical community needs, improving the quality of life, including those promoting diversity, inclusion and social justice, and expanding STEM opportunities for underrepresented groups. Actions we have taken in pursuit of these commitments include:

#### **Environmental Programs**

- Adopted and require our suppliers to support the Responsible Business Alliance® (RBA®) Code of Conduct;
- Prioritized qualified suppliers who are socially and environmentally progressive;
- Delivered products that met environmental regulations and requirements; and
- Demanded excellence in our quality and environmental management systems, each certified to ISO 9001 and ISO 14001 standards.

#### **Social Programs**

- Donated a portion of our annual profits to charitable organizations;
- Allocated funds to our global sites for grants supporting critical causes locally;
- Provided corporate matching gifts to expand the impact of individual employee donations;
- Offered 24 hours of paid time off per year for employees to volunteer in their communities;
- Sponsored community service projects and supported relief efforts when disasters occur;
- Partnered with organizations committed to building diverse, equitable, and inclusive environments;
- Provided financial grants to nonprofits offering STEM education programs for underrepresented and underserved groups; and
- Supported research to improve safety, sustainability, and overall quality of life in densifying cities.

## **Governmental Regulations**

We are subject to international, federal, state and local regulations that are customary to businesses in the semiconductor industry. Such regulations include:

- The Restriction of Hazardous Substances Directive (“RoHS”), which restricts the use of certain hazardous substances in electrical and electronic equipment;
- General Data Protection Regulation (“GDPR”), which provides guidelines for the collection and processing of personal information from individuals who live in the European Union;
- The U.S. Foreign Corrupt Practices Act (“FCPA”), which prohibits companies and their individual officers from influencing foreign officials with any personal payments or rewards; and
- Conflict minerals reporting, which imposes disclosure requirements regarding the use of “conflict” minerals mined from the Democratic Republic of Congo and adjoining countries in products.

Our compliance with these laws and regulations has not had a material impact on our financial position or results of operations.

## **Available Information**

Our website address is [www.silabs.com](http://www.silabs.com). Our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 are available through the investor relations page of our website free of charge as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission (SEC). Our website and the information contained therein or connected thereto are not intended to be incorporated into this Annual Report on Form 10-K.

## **Item 1A. Risk Factors**

### ***Global Business Risks***

#### **The COVID-19 pandemic could adversely affect our business, results of operations, and financial condition**

The COVID-19 pandemic has negatively impacted the global economy, disrupted global supply chains and created significant volatility and disruption of financial markets. The extent of the impact of the COVID-19 pandemic on our operational and financial performance will depend on future developments, including the duration, severity and spread of the pandemic, related restrictions on travel and transportation and other actions that may be taken by governmental authorities, the impact to the business of our suppliers or customers and other items identified in the risk factors below, all of which are uncertain and cannot be predicted.

The impacts of the COVID-19 pandemic, or a similar public health crisis, on our business, customers, suppliers, employees, markets and financial results and condition are uncertain, evolving and dependent on numerous unpredictable factors outside of our control, including:

- The duration and impact of a global economic recession or depression that could reduce demand and/or pricing for our products;
- Disruptions to our business and supply chain (and the business and supply chains of our customers) in connection with the sourcing of materials, equipment and engineering support, and services from geographic areas impacted by the public health crisis, including disruptions caused by illnesses, quarantines and restrictions on people’s ability to work, office and factory closures, disruptions to ports and other shipping infrastructure, border closures, and other travel or health-related restrictions;
- Delays or limitations on the ability of our customers to make timely payments;
- Governmental actions to limit exposure to and spreading of such infectious diseases, such as travel restrictions, quarantines and business shutdowns or slowdowns, facility closures or other restrictions;
- Deterioration of worldwide credit and financial markets that could limit our ability to obtain external financing to fund our operations and capital expenditures or to refinance our existing indebtedness;
- Potential asset impairments, including goodwill, intangible assets, investments and other assets;
- Complexities related to our employees temporarily working from home as well as increased cyber-related risks due to our employees working from home;
- Potential failure of our computer systems or communication systems; and

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- Investment-related risks, including difficulties in liquidating investments due to current market conditions and adverse investment performance.

There can be no assurance that any decrease in sales resulting from the COVID-19 pandemic or a similar public health crisis will be offset by increased sales in subsequent periods. Even after the COVID-19 pandemic or a similar public health crisis has subsided, we may continue to experience materially adverse impacts to our business as a result of its global economic impact, including any recession, economic downturn or increased unemployment that has occurred or may occur in the future. An extended period of global supply chain and economic disruption could materially affect our business, results of operations, access to sources of liquidity and financial condition.

### **We are subject to the cyclical nature of the semiconductor industry, which has been subject to significant fluctuations**

The semiconductor industry is highly cyclical and is characterized by constant and rapid technological change, rapid product obsolescence and price erosion, evolving standards, short product life cycles and wide fluctuations in product supply and demand. The industry has experienced significant fluctuations, often connected with, or in anticipation of, maturing product cycles and new product introductions of both semiconductor companies' and their customers' products and fluctuations in general economic conditions. Deteriorating general worldwide economic conditions, including reduced economic activity, concerns about credit and inflation, increased energy costs, decreased consumer confidence, reduced corporate profits, decreased spending and similar adverse business conditions, would make it very difficult for our customers, our vendors, and us to accurately forecast and plan future business activities and could cause U.S. and foreign businesses to slow spending on our products. We cannot predict the timing, strength, or duration of any economic slowdown or economic recovery. If the economy or markets in which we operate deteriorate, our business, financial condition, and results of operations would likely be materially and adversely affected.

Downturns have been characterized by diminished product demand, production overcapacity, high inventory levels and accelerated erosion of average selling prices. Upturns have been characterized by increased product demand and production capacity constraints created by increased competition for access to third-party foundry, assembly and test capacity. We are dependent on the availability of such capacity to manufacture, assemble and test our products. Foundry, assembly and test capacity is currently limited due to a spike in semiconductor demand. None of our third-party foundry, assembly or test subcontractors have provided assurances that adequate capacity will be available to us.

In addition, the COVID-19 pandemic has caused further global economic uncertainty. The impact from the rapidly changing market and economic conditions due to the COVID-19 outbreak is uncertain, disrupting the business of our customers and suppliers, and could impact our business and operating results in the future.

### **We are a global company, which subjects us to additional business risks including logistical and financial complexity, political instability and currency fluctuations**

We have established international subsidiaries and have opened offices in international markets to support our activities in Asia, the Americas and Europe. This has included the establishment of a headquarters in Singapore for non-U.S. operations. During fiscal 2021, the percentage of our revenues derived from outside of the United States was 86% (and the revenue associated with end customers in China was 24%, and revenue attributed to China based on shipped-to location was 43) %. We may not be able to maintain or increase global market demand for our products. Our international operations are subject to a number of risks, including:

- Complexity and costs of managing international operations and related tax obligations, including our headquarters for non-U.S. operations in Singapore;
- Protectionist laws and business practices, including trade restrictions, tariffs, export controls, quotas and other trade barriers, including China-U.S. trade policies;
- Trade tensions, geopolitical uncertainty, or governmental actions, including those arising from the trade dispute between the U.S. and China, may lead customers to favor products from non-US companies which could put us at a competitive disadvantage and result in decreased customer demand for our products and our customers' products;
- Restrictions or tariffs imposed on certain countries and sanctions or export controls imposed on customers or suppliers may affect our ability to sell and source our products;
- Difficulties related to the protection of our intellectual property rights in some countries;

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- Public health crises, such as the COVID-19 pandemic, may affect our international operations, suppliers and customers and we may experience delays in product development, a decreased ability to support our customers and reduced design win activity if the travel restrictions or business shutdowns or slowdowns continue for an extended period of time in any of the countries in which we, our suppliers and our customers operate and do business;
- Multiple, conflicting and changing tax and other laws and regulations that may impact both our international and domestic tax and other liabilities and result in increased complexity and costs, including the impact of the Tax Cuts and Jobs Act, which we expect to increase our effective tax rate, in part due to the impact of the requirement to capitalize and amortize foreign research and development expenses beginning in 2022;
- Longer sales cycles;
- Greater difficulty in accounts receivable collection and longer collection periods;
- High levels of distributor inventory subject to price protection and rights of return to us;
- Political and economic instability;
- Greater difficulty in hiring and retaining qualified personnel; and
- The need to have business and operations systems that can meet the needs of our international business and operating structure.

To date, substantially all of our sales to international customers and purchases of components from international suppliers have been denominated in U.S. dollars. As a result, an increase in the value of the U.S. dollar relative to foreign currencies could make our products more expensive for our international customers to purchase, thus rendering our products less competitive. Similarly, a decrease in the value of the U.S. dollar could reduce our buying power with respect to international suppliers.

**Our research and development efforts are focused on a limited number of new technologies and products, and any delay in the development, or abandonment, of these technologies or products by industry participants, or their failure to achieve market acceptance, could compromise our competitive position**

Our products serve as components and solutions in electronic devices in various markets. As a result, we have devoted and expect to continue to devote a large amount of resources to develop products based on new and emerging technologies and standards that will be commercially introduced in the future. Research and development expense during fiscal 2021 was \$273.2 million, or 37.9% of revenues. A number of companies are actively involved in the development of these new technologies and standards. Should any of these companies delay or abandon their efforts to develop commercially available products based on new technologies and standards, our research and development efforts with respect to these technologies and standards likely would have no appreciable value. In addition, if we do not correctly anticipate new technologies and standards, or if the products that we develop based on these new technologies and standards fail to achieve market acceptance, our competitors may be better able to address market demand than we would. Furthermore, if markets for these new technologies and standards develop later than we anticipate, or do not develop at all, demand for our products that are currently in development would suffer, resulting in lower sales of these products than we currently anticipate.

**Competition within the numerous markets we target may reduce sales of our products and reduce our market share**

The markets for semiconductors in general, and for mixed-signal products in particular, are intensely competitive. We expect that the market for our products will continually evolve and will be subject to rapid technological change. In addition, as we target and supply products to numerous markets and applications, we face competition from a relatively large number of competitors. We compete with Broadcom, Espressif, Infineon, MediaTek, Microchip, Nordic Semiconductor, NXP, Qualcomm, Renesas, STMicroelectronics, Synaptics, Telink, Texas Instruments and others. We expect to face competition in the future from our current competitors, other manufacturers and designers of semiconductors, and start-up semiconductor design companies. As the markets for communications products grow, we also may face competition from traditional communications device companies. These companies may enter the mixed-signal semiconductor market by introducing their own products or by entering into strategic relationships with or acquiring other existing providers of semiconductor products. In addition, large companies may restructure their operations to create separate companies or may acquire new businesses that are focused on providing the types of products we produce or acquire our customers.

**We rely on third parties to manufacture, assemble and test our products and the failure to successfully manage our relationships with our manufacturers and subcontractors would negatively impact our ability to sell our products**

We do not have our own wafer fab manufacturing facilities. Therefore, we rely on third-party vendors to manufacture the products we design. We also currently rely on third-party assembly subcontractors in Asia to assemble and package the silicon chips provided by the wafers for use in final products. Additionally, we rely on these offshore subcontractors for a substantial portion of the testing requirements of our products prior to shipping. We expect utilization of third-party subcontractors to continue in the future.

The cyclical nature of the semiconductor industry drives wide fluctuations in available capacity at third-party vendors. On occasion, we have been unable to adequately respond to unexpected increases in customer demand due to capacity constraints and, therefore, were unable to benefit from this incremental demand. We may be unable to obtain adequate foundry, assembly or test capacity from our third-party subcontractors to meet our customers' delivery requirements even if we adequately forecast customer demand. For example, foundry, assembly and test capacity is currently limited due to a spike in semiconductor demand. As a result, we have recently experienced longer lead times at certain third-party foundry subcontractors. This is resulting in competing demand for capacity at our suppliers. Such conditions may adversely affect our revenue and increase our costs.

There are significant risks associated with relying on these third-party foundries and subcontractors, including:

- Failure by us, our customers or their end customers to qualify a selected supplier;
- Potential insolvency of the third-party subcontractors;
- Reduced control over delivery schedules and quality;
- Limited warranties on wafers or products supplied to us;
- Potential increases in prices or payments in advance for capacity;
- Increased need for international-based supply, logistics and financial management;
- Disruption to our supply chain resulting from cyber-attacks on our suppliers' information technology systems;
- Their inability to supply or support new or changing packaging technologies; and
- Low test yields.

We typically do not have long-term supply contracts with our third-party vendors which obligate the vendor to perform services and supply products to us for a specific period, in specific quantities, and at specific prices. Our third-party foundry, assembly and test subcontractors typically do not guarantee that adequate capacity will be available to us within the time required to meet demand for our products. In the event that these vendors fail to meet our demand for whatever reason, we expect that it would take up to 12 months to transition performance of these services to new providers. Such a transition may also require qualification of the new providers by our customers or their end customers.

If our suppliers experience closures or reductions in their capacity utilization levels in the future, we may have difficulty sourcing materials necessary to fulfill production requirements. Public health crises, such as the COVID-19 pandemic, may affect our suppliers' production capabilities as a result of quarantines, closures of production facilities, lack of supplies or delays caused by restrictions on travel.

Most of the silicon wafers for the products that we have sold were manufactured either by Taiwan Semiconductor Manufacturing Co. (TSMC) or Semiconductor Manufacturing International Corporation (SMIC). Our customers typically complete their own qualification process. If we fail to properly balance customer demand across the existing semiconductor fabrication facilities that we utilize or are required by our foundry partners to increase, or otherwise change the number of fab lines that we utilize for our production, we might not be able to fulfill demand for our products and may need to divert our engineering resources away from new product development initiatives to support the fab line transition, which would adversely affect our operating results.

**We may not be able to maintain our historical growth and may experience significant period-to-period fluctuations in our revenues and operating results, which may result in volatility in our stock price**

Although we have generally experienced revenue growth in our history, we may not be able to sustain this growth. We may also experience significant period-to-period fluctuations in our revenues and operating results in the future due to a number of factors, and any such variations may cause our stock price to fluctuate. In some future period our revenues or operating results may be below the expectations of public market analysts or investors. If this occurs, our stock price may drop, perhaps significantly.



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A number of factors, in addition to those cited in other risk factors applicable to our business, may contribute to fluctuations in our revenues and operating results, including:

- The timing and volume of orders received from our customers;
- The timeliness of our new product introductions and the rate at which our new products may cannibalize our older products;
- The rate of acceptance of our products by our customers, including the acceptance of new products we may develop for integration in the products manufactured by such customers, which we refer to as “design wins”;
- The time lag and realization rate between “design wins” and production orders;
- Supplier capacity constraints;
- The demand for, and life cycles of, the products incorporating our mixed-signal solutions;
- The rate of adoption of mixed-signal products in the markets we target;
- Deferrals or reductions of customer orders in anticipation of new products or product enhancements from us or our competitors or other providers of mixed-signal ICs;
- Changes in product mix;
- The average selling prices for our products could drop suddenly due to competitive offerings or competitive predatory pricing;
- The average selling prices for our products generally decline over time;
- Changes in market standards;
- Impairment charges related to inventory, equipment or other long-lived assets;
- The software used in our products, including software provided by third parties, may not meet the needs of our customers;
- Our customers may not be able to obtain other components such as capacitors (which are currently in short supply) that they need to incorporate in conjunction with our products, leading to potential downturn in the demand for our products;
- Significant legal costs to defend our intellectual property rights or respond to claims against us; and
- The rate at which new markets emerge for products we are currently developing or for which our design expertise can be utilized to develop products for these new markets.

The markets for consumer electronics, for example, are characterized by rapid fluctuations in demand and seasonality that result in corresponding fluctuations in the demand for our products that are incorporated in such devices. Additionally, the rate of technology acceptance by our customers results in fluctuating demand for our products as customers are reluctant to incorporate a new IC into their products until the new IC has achieved market acceptance. Once a new IC achieves market acceptance, demand for the new IC can quickly accelerate to a point and then level off such that rapid historical growth in sales of a product should not be viewed as indicative of continued future growth. In addition, demand can quickly decline for a product when a new IC product is introduced and receives market acceptance. Due to the various factors mentioned above, the results of any prior quarterly or annual periods should not be relied upon as an indication of our future operating performance.

### **We may be the victim of business disruptions and security breaches, including cyber-attacks, which could lead to liability or could damage our reputation and financial results**

Information technology system and/or network disruptions, regardless of the cause, but including acts of sabotage, error, or other actions, could harm the company’s operations. Failure to effectively prevent, detect, and recover from security breaches, including cyber-attacks, could result in the misuse of company assets, disruption to the company, diversion of management resources, regulatory inquiries, legal claims or proceedings, reputational damage, loss of sales and other costs to the company. We routinely face attacks that attempt to breach our security protocols, gain access to or disrupt our computerized systems or steal proprietary company, customer, partner or employee information. These attacks are sometimes successful. These attacks may be due to security breaches, employee error, theft, malfeasance, phishing schemes, ransomware, faulty password or data security management, or other irregularities. The theft, loss, destruction, unavailability or misuse of personal or business data collected, used, stored or transferred by us to run our business could result in increased security costs or costs related to defending legal claims. Industrial espionage, theft or loss of our intellectual property data could lead to counterfeit products or harm the competitive position of our products and services. Costs to implement, test and maintain measures to promote compliance with applicable privacy and data security laws as well as to protect the overall security of our system have been and are expected to continue to be significant. Attempted or successful attacks against our products and services could damage our reputation with customers or users and reduce demand for our products and services.



Additionally, there is an increased risk that we may experience cybersecurity-related events such as COVID-19 themed phishing attacks and other security challenges as a result of most of our employees and our service providers working remotely from non-corporate managed networks during the ongoing COVID-19 pandemic and potentially continuing working remotely even after the COVID-19 pandemic has subsided.

**We depend on our key personnel to manage our business effectively in a rapidly changing market, and if we are unable to retain our current personnel and hire additional personnel, our ability to develop and successfully market our products could be harmed**

We believe our future success will depend in large part upon our ability to attract and retain highly skilled managerial, engineering, sales and marketing personnel. We believe that our future success will be dependent on retaining the services of our key personnel, developing their successors and certain internal processes to reduce our reliance on specific individuals, and on properly managing the transition of key roles when they occur. There is currently a shortage of qualified personnel with significant experience in the design, development, manufacturing, marketing and sales of analog and mixed-signal products. In particular, there is a shortage of engineers who are familiar with the intricacies of the design and manufacturability of analog elements, and competition for such personnel is intense. Our key technical personnel represent a significant asset and serve as the primary source for our technological and product innovations. We may not be successful in attracting and retaining sufficient numbers of technical personnel to support our anticipated growth. The loss of any of our key employees or the inability to attract or retain qualified personnel both in the United States and internationally, including engineers, sales, applications and marketing personnel, could delay the development and introduction of, and negatively impact our ability to sell, our products.

**If we are unable to develop or acquire new and enhanced products that achieve market acceptance in a timely manner, our operating results and competitive position could be harmed**

Our future success will depend on our ability to develop or acquire new products and product enhancements that achieve market acceptance in a timely and cost-effective manner. The development of mixed-signal ICs is highly complex, and we have at times experienced delays in completing the development and introduction of new products and product enhancements. Successful product development and market acceptance of our products depend on a number of factors, including:

- Requirements of customers;
- Accurate prediction of market and technical requirements;
- Timely completion and introduction of new designs;
- Timely qualification and certification of our products for use in our customers' products;
- Commercial acceptance and volume production of the products into which our ICs will be incorporated;
- Availability of foundry, assembly and test capacity;
- Achievement of high manufacturing yields;
- Quality, price, performance, power use and size of our products;
- Availability, quality, price and performance of competing products and technologies;
- Our customer service, application support capabilities and responsiveness;
- Successful development of our relationships with existing and potential customers;
- Technology, industry standards or end-user preferences; and
- Cooperation of third-party software providers and our semiconductor vendors to support our chips within a system.

We cannot provide any assurance that products which we recently have developed or may develop in the future will achieve market acceptance. We have introduced to market or are in development of many products. If our products fail to achieve market acceptance, or if we fail to develop new products on a timely basis that achieve market acceptance, our growth prospects, operating results and competitive position could be adversely affected. The growth of the IoT market is dependent on the adoption of industry standards to permit devices to connect and communicate with each other. If the industry cannot agree on a common set of standards, then the growth of the IoT market may be slower than expected.

### **Any acquisitions we make could disrupt our business and harm our financial condition**

As part of our growth and product diversification strategy, we continue to evaluate opportunities to acquire other businesses, intellectual property or technologies that would complement our current offerings, expand the breadth of our markets or enhance our technical capabilities. The acquisitions that we have made and may make in the future entail a number of risks that could materially and adversely affect our business and operating results, including:

- Problems integrating the acquired operations, technologies or products with our existing business and products;
- Diversion of management's time and attention from our core business;
- Need for financial resources above our planned investment levels;
- Difficulties in retaining business relationships with suppliers and customers of the acquired company;
- Risks associated with entering markets in which we lack prior experience;
- Risks associated with the transfer of licenses of intellectual property;
- Increased operating costs due to acquired overhead;
- Tax issues associated with acquisitions;
- Acquisition-related disputes, including disputes over earn-outs and escrows;
- Potential loss of key employees of the acquired company; and
- Potential impairment of related goodwill and intangible assets.

In particular, the extent of the impact of the COVID-19 pandemic on our ability to complete and integrate any future acquisition into our business is unpredictable and will depend on future developments, including the duration, severity and spread of the pandemic, related restrictions on travel and transportation, and other actions that may be taken by governmental authorities. Future acquisitions also could cause us to incur debt or contingent liabilities or cause us to issue equity securities that could negatively impact the ownership percentages of existing shareholders.

### **The average selling prices of our products could decrease rapidly which may negatively impact our revenues and gross profit**

We may experience substantial period-to-period fluctuations in future operating results due to the erosion of our average selling prices. We have reduced the average unit price of our products in anticipation of or in response to competitive pricing pressures, new product introductions by us or our competitors and other factors. If we are unable to offset any such reductions in our average selling prices by increasing our sales volumes, increasing our sales content per application or reducing production costs, our gross profit and revenues will suffer. To maintain our gross profit, we will need to develop and introduce new products and product enhancements on a timely basis and continually reduce our costs. Our failure to do so could cause our revenues and gross profit to decline.

### **Failure to manage our distribution channel relationships could impede our future growth**

The future growth of our business will depend in large part on our ability to manage our relationships with current and future distributors and sales representatives, develop additional channels for the distribution and sale of our products and manage these relationships. During fiscal 2021, 81% of our revenue was derived from distributors (and 58% of our revenue was derived from our three largest distributors). As we execute our indirect sales strategy, we must manage the potential conflicts that may arise with our direct sales efforts. For example, conflicts with a distributor may arise when a customer begins purchasing directly from us rather than through the distributor. The inability to successfully execute or manage a multi-channel sales strategy could impede our future growth. In addition, relationships with our distributors often involve the use of price protection and inventory return rights. This often requires a significant amount of sales management's time and system resources to manage properly.

### **We do not have long-term commitments from our customers**

Our customers regularly evaluate alternative sources of supply in order to diversify their supplier base, which increases their negotiating leverage with us and protects their ability to secure these components. We believe that any expansion of our customers' supplier bases could have an adverse effect on the prices we are able to charge and volume of product that we are able to sell to our customers, which would negatively affect our revenues and operating results.

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Customers may decide not to purchase our products at all, purchase fewer products than they did in the past, or alter their purchasing patterns, particularly because:

- We do not have material long-term purchase contracts with our customers;
- Substantially all of our sales to date have been made on a purchase order basis, which permits our customers to cancel, change or delay product purchase commitments with little or no notice to us and without penalty;
- Some of our customers may have efforts underway to actively diversify their vendor base which could reduce purchases of our products; and
- Some of our customers have developed or acquired products that compete directly with products these customers purchase from us, which could affect our customers' purchasing decisions in the future.

**We are subject to increased inventory risks and costs because we build our products based on forecasts provided by customers before receiving purchase orders for the products**

In order to ensure availability of our products for some of our largest customers, we start the manufacturing of our products in advance of receiving purchase orders based on forecasts provided by these customers. However, these forecasts do not represent binding purchase commitments and we do not recognize sales for these products until they are shipped to the customer. As a result, we incur inventory and manufacturing costs in advance of anticipated sales. Because demand for our products may not materialize, manufacturing based on forecasts subjects us to increased risks of high inventory carrying costs, increased obsolescence and increased operating costs. These inventory risks are exacerbated when our customers purchase indirectly through contract manufacturers or hold component inventory levels greater than their consumption rate because this causes us to have less visibility regarding the accumulated levels of inventory for such customers. A resulting write-off of unusable or excess inventories would adversely affect our operating results.

**Our products are complex and may contain errors which could lead to liability, an increase in our costs and/or a reduction in our revenues**

Our products are complex and may contain errors, particularly when first introduced and/or when new versions are released. Our products are increasingly designed in more complex processes, including higher levels of software and hardware integration in modules and system-level solutions and/or include elements provided by third parties which further increase the risk of errors. We rely primarily on our in-house testing personnel to design test operations and procedures to detect any errors or vulnerabilities prior to delivery of our products to our customers.

Should problems occur in the operation or performance of our products, we may experience delays in meeting key introduction dates or scheduled delivery dates to our customers. These errors could also cause significant re-engineering costs, the diversion of our engineering personnel's attention from our product development efforts and cause significant customer relations and business reputation problems. Any defects could result in refunds, product replacement, product recall or other liability. Any of the foregoing could impose substantial costs and harm our business.

Product liability, data breach or cyber liability claims may be asserted with respect to our products. Many of our products focus on wireless connectivity and the IoT market and such connectivity may make these products particularly susceptible to cyber-attacks. Our products are typically sold at prices that are significantly lower than the cost of the end-products into which they are incorporated. A defect, failure or vulnerability in our product could cause failure in our customer's end-product, so we could face claims for damages that are disproportionately higher than the revenues and profits we receive from the products involved. Furthermore, product liability risks are particularly significant with respect to medical and automotive applications because of the risk of serious harm to users of these end-products. There can be no assurance that any insurance we maintain will sufficiently protect us from such claims.

**We may be subject to information technology failures that could damage our reputation, business operations and financial condition**

We rely on information technology for the effective operation of our business. Our systems are subject to damage or interruption from a number of potential sources, including natural disasters, accidents, power disruptions, telecommunications failures, acts of terrorism or war, computer viruses, theft, physical or electronic break-ins, cyber-attacks, sabotage, vandalism, or similar events or disruptions. Our security measures may not detect or prevent such security breaches. Any such compromise of our information security could result in the theft or unauthorized publication or use of our confidential business or proprietary information, result in the unauthorized release of customer, supplier or employee data, result in a violation of privacy or other laws, expose us to a risk of litigation or damage our reputation. In addition, our inability to use or access information systems at critical points in time could unfavorably impact the timely and efficient operation of our business, which could negatively affect our business and operating results.

Third parties with which we conduct business, such as foundries, assembly and test contractors, distributors and customers, have access to certain portions of our sensitive data. In the event that these third parties do not properly safeguard our data that they hold, security breaches could result and negatively impact our reputation, business operations and financial results. Additionally, a successful cyber-attack against one of these third-parties' information technology systems may disrupt our supply chain.

**Our customers require our products to undergo a lengthy and expensive qualification process without any assurance of product sales**

Prior to purchasing our products, our customers require that our products undergo an extensive qualification process, which involves testing of the products in the customer's system as well as rigorous reliability testing. This qualification process may continue for six months or longer. However, qualification of a product by a customer does not ensure any sales of the product to that customer. Even after successful qualification and sales of a product to a customer, a subsequent revision to the product or software, changes in the IC's manufacturing process or the selection of a new supplier by us may require a new qualification process, which may result in delays and in us holding excess or obsolete inventory. After our products are qualified, it can take an additional six months or more before the customer commences volume production of components or devices that incorporate our products. Despite these uncertainties, we devote substantial resources, including design, engineering, sales, marketing and management efforts, toward qualifying our products with customers in anticipation of sales. If we are unsuccessful or delayed in qualifying any of our products with a customer, such failure or delay would preclude or delay sales of such product to the customer, which may impede our growth and cause our business to suffer.

**Our inability to manage growth could materially and adversely affect our business**

Our past growth has placed, and any future growth of our operations will continue to place, a significant strain on our management personnel, systems and resources. We anticipate that we will need to implement a variety of new and upgraded sales, operational and financial enterprise-wide systems, information technology infrastructure, procedures and controls, including the improvement of our accounting and other internal management systems to manage this growth and maintain compliance with regulatory guidelines, including Sarbanes-Oxley Act requirements. To the extent our business grows, our internal management systems and processes will need to improve to ensure that we remain in compliance. We also expect that we will need to continue to expand, train, manage and motivate our workforce. All of these endeavors will require substantial management effort, and we anticipate that we will require additional management personnel and internal processes to manage these efforts and to plan for the succession from time to time of certain persons who have been key management and technical personnel. If we are unable to effectively manage our expanding global operations, including our international headquarters in Singapore, our business could be materially and adversely affected.



### **We are subject to risks relating to product concentration**

We derive a substantial portion of our revenues from a limited number of products, and we expect these products to continue to account for a large percentage of our revenues in the near term. Continued market acceptance of these products, is therefore, critical to our future success. In addition, substantially all of our products that we have sold include technology related to one or more of our issued U.S. patents. If these patents are found to be invalid or unenforceable, our competitors could introduce competitive products that could reduce both the volume and price per unit of our products. Our business, operating results, financial condition and cash flows could therefore be adversely affected by:

- A decline in demand for any of our more significant products;
- Failure of our products to achieve continued market acceptance;
- Competitive products;
- New technological standards or changes to existing standards that we are unable to address with our products;
- A failure to release new products or enhanced versions of our existing products on a timely basis; and
- The failure of our new products to achieve market acceptance.

### **Any dispositions could harm our financial condition**

On April 22, 2021, we entered into an Asset Purchase Agreement pursuant to which Skyworks Solutions, Inc. agreed to acquire certain assets, rights, and properties, and assume certain liabilities, comprising our infrastructure and automotive business for \$2.75 billion in cash. The transaction closed on July 26, 2021. This disposition and any other disposition of a business or product line would entail a number of risks that could materially and adversely affect our business and operating results, including:

- Diversion of management's time and attention from our core business;
- Difficulties separating the divested business;
- Risks to relations with customers who previously purchased products from our disposed product line;
- Reduced leverage with suppliers due to reduced aggregate volume;
- Risks related to employee relations;
- Risks that the disposition is not completed on the expected timeline, or at all;
- Risks associated with the transfer and licensing of intellectual property;
- Risks that we do not realize the anticipated benefits from the disposition;
- Risks from third-party claims arising out of the disposition;
- Security risks and other liabilities related to the transition services provided in connection with the disposition;
- Tax issues associated with dispositions; and
- Disposition-related disputes, including disputes over earn-outs and escrows.

### **Most of our current manufacturers, assemblers, test service providers, distributors and customers are concentrated in the same geographic region, which increases the risk that a natural disaster, epidemic, labor strike, war or political unrest could disrupt our operations or sales**

Most of our foundries and several of our assembly and test subcontractors' sites are located in Taiwan and most of our other foundry, assembly and test subcontractors are located in the Pacific Rim region. In addition, many of our customers are located in the Pacific Rim region. The risk of earthquakes in Taiwan and the Pacific Rim region is significant due to the proximity of major earthquake fault lines in the area. Earthquakes, tsunamis, fire, flooding, lack of water or other natural disasters, an epidemic such as the current COVID-19 outbreak, political unrest, war, labor strikes or work stoppages in countries where our semiconductor manufacturers, assemblers and test subcontractors are located, likely would result in the disruption of our foundry, assembly or test capacity. There can be no assurance that alternate capacity could be obtained on favorable terms, if at all.

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A natural disaster, epidemic, labor strike, war or political unrest where our customers' facilities are located would likely reduce our sales to such customers. In addition, a significant portion of the assembly and testing of our products occurs in South Korea. Any disruption resulting from these events, including the COVID-19 pandemic, could also cause significant delays in shipments of our products until we are able to shift our manufacturing, assembling or testing from the affected subcontractor to another third-party vendor. If the COVID-19 pandemic continues to progress in ways that significantly disrupt the manufacture, shipment and sales of our products or the products of our customers, this may materially negatively impact our operating results for subsequent periods. For example, if the travel restrictions or business shutdowns or slowdowns continue for an extended period of time in Taiwan, South Korea or the other countries in which our current manufacturers, assemblers, test service providers, distributors and customers are located, we may experience delays in product production, a decreased ability to support our customers, reduced design win activity, and overall lack of productivity. Our customers may also experience closures of their manufacturing facilities or inability to obtain other components, either of which could negatively impact demand for our solutions.

**The semiconductor manufacturing process is highly complex and, from time to time, manufacturing yields may fall below our expectations, which could result in our inability to satisfy demand for our products in a timely manner and may decrease our gross profit due to higher unit costs**

The manufacturing of our products is a highly complex and technologically demanding process. Although we work closely with our foundries and assemblers to minimize the likelihood of reduced manufacturing yields, we have from time to time experienced lower than anticipated manufacturing yields. Changes in manufacturing processes or the inadvertent use of defective or contaminated materials could result in lower than anticipated manufacturing yields or unacceptable performance deficiencies, which could lower our gross profit. If our foundries fail to deliver fabricated silicon wafers of satisfactory quality in a timely manner, we will be unable to meet our customers' demand for our products in a timely manner, which would adversely affect our operating results and damage our customer relationships.

**We depend on our customers to support our products, and some of our customers offer competing products**

We rely on our customers to provide hardware, software, intellectual property indemnification and other technical support for the products supplied by our customers. If our customers do not provide the required functionality or if our customers do not provide satisfactory support for their products, the demand for these devices that incorporate our products may diminish or we may otherwise be materially adversely affected. Any reduction in the demand for these devices would significantly reduce our revenues.

In certain products, some of our customers offer their own competitive products. These customers may find it advantageous to support their own offerings in the marketplace in lieu of promoting our products.

**We have limited resources compared to some of our current and potential competitors and we may not be able to compete effectively and increase market share**

Some of our current and potential competitors have longer operating histories, significantly greater resources and name recognition and a larger base of customers than we have. As a result, these competitors may have greater credibility with our existing and potential customers. They also may be able to adopt more aggressive pricing policies and devote greater resources to the development, promotion and sale of their products than we can to ours. In addition, some of our current and potential competitors have already established supplier or joint development relationships with the decision makers at our current or potential customers. These competitors may be able to leverage their existing relationships to discourage their customers from purchasing products from us or persuade them to replace our products with their products. Our competitors may also offer bundled solutions offering a more complete product despite the technical merits or advantages of our products. These competitors may elect not to support our products which could complicate our sales efforts. We also face increased competition as a result of China actively promoting its domestic semiconductor industry through policy changes and investment. These actions, as well as China-U.S. trade barriers, may restrict our participation in the China market or may prevent us from competing effectively with Chinese companies or companies from other countries that China favors over the United States. Furthermore, our current or potential competitors may be acquired by third parties with greater available resources and the ability to initiate or withstand substantial price competition, which may include price concessions, delayed payment terms, financing terms, or other terms and conditions that are more enticing to potential customers. These and other competitive pressures may prevent us from competing successfully against current or future competitors, and may materially harm our business. Competition could decrease our prices, reduce our sales, lower our gross profit and/or decrease our market share.

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## **Changes in the privacy and data security/protection laws could have an adverse effect on our operations**

Federal, state and international privacy-related or data protection laws and regulations could have an adverse effect on our operations. Complying with these laws and the possibility of proceedings against us by governmental entities or others in relation to these laws could increase operational costs. In May 2018, the European Union's General Data Protection Regulation ("GDPR") went into effect, replacing the EU's 1995 Data Protection Directive. The costs of compliance with the GDPR and the potential for fines and penalties in the event of a breach of the GDPR may have an adverse effect on our operations.

## **Our products must conform to industry standards and technology in order to be accepted by end users in our markets**

Generally, our products comprise only a part of a device. All components of such devices must uniformly comply with industry standards in order to operate efficiently together. We depend on companies that provide other components of the devices to support prevailing industry standards. Many of these companies are significantly larger and more influential in affecting industry standards than we are. Some industry standards may not be widely adopted or implemented uniformly, and competing standards may emerge that may be preferred by our customers or end users. If larger companies do not support the same industry standards that we do, or if competing standards emerge, market acceptance of our products could be adversely affected which would harm our business.

Products for certain applications are based on industry standards that are continually evolving. Our ability to compete in the future will depend on our ability to identify and ensure compliance with these evolving industry standards. The emergence of new industry standards could render our products incompatible with products developed by other suppliers. As a result, we could be required to invest significant time and effort and to incur significant expense to redesign our products to ensure compliance with relevant standards. If our products are not in compliance with prevailing industry standards for a significant period of time, we could miss opportunities to achieve crucial design wins. For example, the IoT market is relatively new and is continuously evolving. Furthermore, products in the IoT market frequently require interoperability across multiple standards. We may need to adjust our portfolio to meet the needs of this evolving market through acquisitions or significant new investments in research and development.

Our pursuit of necessary technological advances may require substantial time and expense. We may not be successful in developing or using new technologies or in developing new products or product enhancements that achieve market acceptance. If our products fail to achieve market acceptance, our growth prospects, operating results and competitive position could be adversely affected.

## ***Intellectual Property Risks***

### **Significant litigation over intellectual property in our industry may cause us to become involved in costly and lengthy litigation which could adversely affect our business**

The semiconductor and software industries have experienced significant litigation involving patents and other intellectual property rights. From time to time, third parties, including non-practicing entities, allege intellectual property infringement by our products, our customers' products, or products using technologies or communications standards used in our industry. We also receive communications from customers or suppliers requesting indemnification for allegations brought against them by third parties. Some of these allegations have resulted, and may result in the future, in our involvement in litigation. We have certain contractual obligations to defend and indemnify our customers from certain infringement claims. We also have been involved in litigation to protect our intellectual property rights in the past and may become involved in such litigation again in the future.

Given the unpredictable nature of litigation and the complexity of the technology, we may not prevail in any such litigation. Legal proceedings could subject us to significant liability, invalidate our proprietary rights, or harm our businesses and our ability to compete. Legal proceedings initiated by us to protect our intellectual property rights could also result in counterclaims or countersuits against us. Any litigation, regardless of its outcome or merit, could be time-consuming and expensive to resolve and could divert our management's time and attention. Intellectual property litigation also could force us to take specific actions, including:

- Cease using, selling or manufacturing certain products, services or processes;
- Attempt to obtain a license, which license may require the payment of substantial royalties or may not be available on reasonable terms or at all;

- Incur significant costs, time delays and lost business opportunities to develop alternative technologies or redesign products; or
- Pursue legal remedies with third parties to enforce our indemnification rights, which may not adequately protect our interests.

## **We may be unable to protect our intellectual property, which would negatively affect our ability to compete**

Our products rely on our proprietary technology, and we expect that future technological advances made by us will be critical to sustain market acceptance of our products. Therefore, we believe that the protection of our intellectual property rights is and will continue to be important to the success of our business. We rely on a combination of patent, copyright, trademark and trade secret laws and restrictions on disclosure to protect our intellectual property rights. We also enter into confidentiality or license agreements with our employees, consultants, intellectual property providers and business partners, and control access to and distribution of our documentation and other proprietary information. Despite these efforts, unauthorized parties may attempt to copy or otherwise obtain and use our proprietary technology. Monitoring unauthorized use of our technology is difficult, and we cannot be certain that the steps we have taken will prevent unauthorized use of our technology, particularly in foreign countries where the laws may not protect our proprietary rights as fully as in the United States. We cannot be certain that patents will be issued as a result of our pending applications nor can we be certain that any issued patents would protect or benefit us or give us adequate protection from competing products. For example, issued patents may be circumvented or challenged and declared invalid or unenforceable. We also cannot be certain that others will not develop effective competing technologies on their own.

## **Our products incorporate technology licensed from third parties**

We incorporate technology (including software) licensed from third parties in our products. We could be subjected to claims of infringement regardless of our lack of involvement in the development of the licensed technology. Although a third-party licensor is typically obligated to indemnify us if the licensed technology infringes on another party's intellectual property rights, such indemnification is typically limited in amount and may be worthless if the licensor becomes insolvent. See *Significant litigation over intellectual property in our industry may cause us to become involved in costly and lengthy litigation which could seriously harm our business*. Furthermore, any failure of third-party technology to perform properly would adversely affect sales of our products incorporating such technology.

## **Liquidity and Credit Risks**

### **We are subject to credit risks related to our accounts receivable**

We do not generally obtain letters of credit or other security for payment from customers, distributors or contract manufacturers. Accordingly, we are not protected against accounts receivable default or bankruptcy by these entities. Our ten largest customers or distributors represent a substantial majority of our accounts receivable. If any such customer or distributor, or a material portion of our smaller customers or distributors, were to become insolvent or otherwise not satisfy their obligations to us, we could be materially harmed.

### **Our convertible senior notes could adversely affect our operating results and financial condition**

On January 1, 2022, a condition regarding early conversion of our 2025 convertible senior notes (the "2025 Notes") was met, and as a result, holders may convert their notes at any time during the quarter ending March 31, 2022. On January 2, 2022, we irrevocably elected cash settlement for the principal amount of the 2025 Notes. If we do not have adequate cash available to settle the principal amount of the 2025 Notes, we could seek to raise additional funds through debt or equity capital. However, additional funds may not be available on terms acceptable to us, or at all. We intend to settle any excess value in shares in the event of a conversion. Shares issued to settle any excess value may result in immediate, and potentially material, dilution to the ownership interests of our existing stockholders. Any sales in the public market of our common stock issuable upon such conversion could adversely affect prevailing market prices of our common stock.

The principal balance of the convertible senior notes was separated into liability and equity components, which were recorded initially at fair value. The excess of the principal amount of the liability component over its carrying amount represents the debt discount, which is accreted to interest expense over the term of the notes using the effective interest method. Accordingly, we have reported higher interest expense because of the recognition of both the debt discount amortization and the notes' coupon interest.

## **Our debt could adversely affect our operations and financial condition**

We believe we have the ability to service our debt, but our ability to make the required payments thereunder when due depends upon our future performance, which will be subject to general economic conditions, industry cycles and other factors affecting our operations, including risk factors described herein, such as the potential implications of the COVID-19 pandemic, many of which are beyond our control. Our credit facility also contains covenants, including financial covenants. If we breach any of the covenants under our credit facility and do not obtain appropriate waivers, then, subject to any applicable cure periods, our outstanding indebtedness thereunder could be declared immediately due and payable.

## **We could seek to raise additional debt or equity capital in the future, but additional capital may not be available on terms acceptable to us, or at all**

We believe that our existing cash, cash equivalents, investments and credit under our credit facility will be sufficient to meet our working capital needs, capital expenditures, investment requirements and commitments for at least the next 12 months. However, our ability to borrow further under the credit facility is dependent upon our ability to satisfy various conditions, covenants and representations. It is possible that we may need to raise additional funds to finance our activities or to facilitate acquisitions of other businesses, products, intellectual property or technologies. We believe we could raise these funds, if needed, by selling equity or debt securities to the public or to selected investors. In addition, even though we may not need additional funds, we may still elect to sell additional equity or debt securities or obtain credit facilities for other reasons. However, we may not be able to obtain additional funds on favorable terms, or at all, particularly during financial market instability related to the COVID-19 pandemic. If we decide to raise additional funds by issuing equity or convertible debt securities, the ownership percentages of existing shareholders would be reduced.

## **Stock and Governance Risks**

### **Our stock price may be volatile**

The market price of our common stock has been volatile in the past and may be volatile in the future. The market price of our common stock may be significantly affected by the following factors:

- Actual or anticipated fluctuations in our operating results;
- Changes in financial estimates by securities analysts or our failure to perform in line with such estimates;
- Changes in market valuations of other technology companies, particularly semiconductor companies;
- Announcements by us or our competitors of significant technical innovations, acquisitions, strategic partnerships, joint ventures or capital commitments;
- Introduction of technologies or product enhancements that reduce the need for our products;
- The loss of, or decrease in sales to, one or more key customers;
- A large sale of stock by a significant shareholder;
- Dilution from the issuance of our stock in connection with acquisitions;
- The addition or removal of our stock to or from a stock index fund;
- Departures of key personnel;
- The required expensing of stock awards; and
- Reporting revenue under ASC Topic 606, *Revenue from Contracts with Customers*.

The stock market has experienced extreme volatility that often has been unrelated to the performance of particular companies. These market fluctuations may cause our stock price to fall regardless of our performance.

## **Provisions in our charter documents and Delaware law could prevent, delay or impede a change in control of us and may reduce the market price of our common stock**

Provisions of our certificate of incorporation and bylaws could have the effect of discouraging, delaying or preventing a merger or acquisition that a stockholder may consider favorable. For example, our certificate of incorporation and bylaws provide for:

- The division of our Board of Directors into three classes to be elected on a staggered basis, one class each year;
- The ability of our Board of Directors to issue shares of our preferred stock in one or more series without further authorization of our stockholders;

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- A prohibition on stockholder action by written consent;
- Elimination of the right of stockholders to call a special meeting of stockholders;
- A requirement that stockholders provide advance notice of any stockholder nominations of directors or any proposal of new business to be considered at any meeting of stockholders; and
- A requirement that a supermajority vote be obtained to amend or repeal certain provisions of our certificate of incorporation.

We also are subject to the anti-takeover laws of Delaware which may discourage, delay or prevent someone from acquiring or merging with us, which may adversely affect the market price of our common stock.

**Item 1B. Unresolved Staff Comments**

None.

**Item 2. Properties**

Our corporate headquarters, housing engineering, sales and marketing, administration and test operations, is located in Austin, Texas. Our headquarters facilities consist of two buildings, which we own, that are located on land which we have leased through 2099. The buildings contain approximately 441,000 square feet of floor space, of which approximately 155,000 square feet were leased to other tenants. In addition to these properties, we lease smaller facilities in various locations in the United States, Canada, China, Denmark, Finland, France, Germany, Hungary, India, Italy, Japan, Norway, Singapore, South Korea, Taiwan and the United Kingdom for engineering, sales and marketing, administrative and manufacturing support activities. We believe that these facilities are suitable and adequate to meet our current operating needs.

**Item 3. Legal Proceedings**

Information regarding legal proceedings is provided in Note 13, *Commitments and Contingencies*, to the Consolidated Financial Statements. Such information is incorporated by reference herein.

**Item 4. Mine Safety Disclosures**

Not applicable.

## Part II

### Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

#### Market Information and Holders

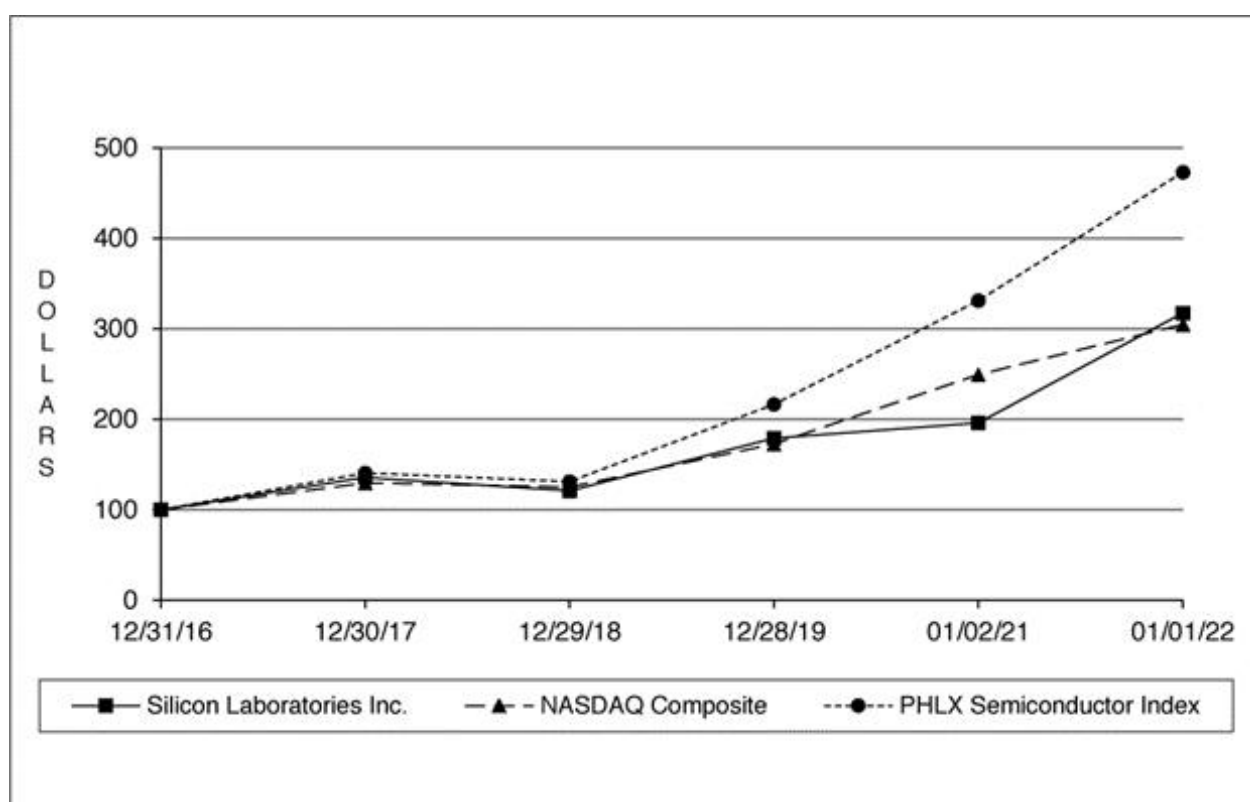
Our registration statement (Registration No. 333-94853) under the Securities Act of 1933, as amended, relating to our initial public offering of our common stock became effective on March 23, 2000. Our common stock is quoted on the NASDAQ National Market (NASDAQ) under the symbol "SLAB". As of January 24, 2022, there were 62 holders of record of our common stock.

#### Dividend Policy

We have never declared or paid any cash dividends on our common stock and we currently do not intend to pay cash dividends. We currently expect to retain any future earnings to fund the operation and expansion of our business.

#### Stock Performance Graph

The graph depicted below shows a comparison of cumulative total stockholder returns for an investment in Silicon Laboratories Inc. common stock, the NASDAQ Composite Index and the PHLX Semiconductor Index.



Company / Index	12/31/16	12/30/17	12/29/18	12/28/19	01/02/21	01/01/22
Silicon Laboratories Inc.	\$100.00	\$135.85	\$120.77	\$179.26	\$195.91	\$317.57
NASDAQ Composite Index	\$100.00	\$129.64	\$124.98	\$172.81	\$249.51	\$304.85
PHLX Semiconductor Index	\$100.00	\$140.54	\$131.15	\$216.62	\$331.27	\$473.22

- (1) The graph assumes that \$100 was invested in our common stock and in each index at the market close on December 31, 2016, and that all dividends were reinvested. No cash dividends have been declared on our common stock.
- (2) Stockholder returns over the indicated period should not be considered indicative of future stockholder returns.



**Issuer Purchases of Equity Securities**

The following table summarizes repurchases of our common stock during the three months ended January 1, 2022 (in thousands, except per share amounts):

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
October 3, 2021 – October 30, 2021 (1)	2,130	\$ 213.50	2,130	\$ 41,696
October 31, 2021 – November 27, 2021	—	\$ —	—	\$ 41,696
November 28, 2021 – January 1, 2022	—	\$ —	—	\$ —
Total	2,130	\$ 213.50	2,130	

- (1) On October 27, 2021, we entered into an accelerated share repurchase (“ASR”) agreement with Goldman Sachs & Co. LLC. Under the ASR Agreement, we received an aggregate initial share delivery of approximately 1.7 million shares. On January 20, 2022, we received an additional 0.3 million shares at no additional costs in connection with final delivery through the ASR Agreement.

Our share repurchase program authorizes repurchases up to \$250 million through December 2022. The program allows for repurchases to be made in the open market or in private transactions, including structured or accelerated transactions, subject to applicable legal requirements and market conditions.

**Item 6. [Reserved]**

## **Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations**

The following discussion and analysis of financial condition and results of operations should be read in conjunction with the Consolidated Financial Statements and related notes thereto included elsewhere in this report. This discussion contains forward-looking statements. Please see the “Cautionary Statement” and “Risk Factors” above for discussions of the uncertainties, risks and assumptions associated with these statements. Our fiscal year-end financial reporting periods are a 52- or 53-week fiscal year that ends on the Saturday closest to December 31. Fiscal 2021 had 52 weeks. Fiscal 2020 had 53 weeks with the extra week occurring in the first quarter of the year. Fiscal 2019 had 52 weeks. Fiscal 2021, 2020 and 2019 ended on January 1, 2022, January 2, 2021 and December 28, 2019, respectively.

### **Impact of COVID-19**

A new strain of novel coronavirus which causes a severe respiratory disease (“COVID-19”) was identified in 2019, and subsequently declared a worldwide pandemic by the World Health Organization. We implemented a response plan and continued operations while largely transitioning our global workforce to a remote work model. The third parties that perform our semiconductor manufacturing, assembly, packaging and testing have generally remained operational. The extent of the impact of the COVID-19 pandemic on our operational and financial performance will depend on future developments, including the duration, severity and spread of the pandemic, related restrictions on travel and transportation and other actions that may be taken by governmental authorities, the impact to the business of our suppliers or customers, and other items identified under “Risk Factors” above, all of which are uncertain and cannot be predicted. An extended period of global supply chain and economic disruption could materially affect our business, results of operations, access to sources of liquidity and financial condition.

### **Overview**

We are a leader in secure, intelligent wireless technology for a more connected world. Our integrated hardware and software platform, intuitive development tools, industry leading ecosystem and robust support enable customers in building advanced industrial, commercial, home and life applications. We make it easy for developers to solve complex wireless challenges throughout the product lifecycle and get to market quickly with innovative solutions that transform industries, grow economies and improve lives. We provide analog-intensive, mixed-signal solutions for use in a variety of electronic products in a broad range of applications for the Internet of Things (IoT) including connected home and security, industrial automation and control, smart metering, smart lighting, commercial building automation, consumer electronics, asset tracking and medical instrumentation.

As a fabless semiconductor company, we rely on third-party semiconductor fabricators in Asia, and to a lesser extent the United States and Europe, to manufacture the silicon wafers that reflect our IC designs. Each wafer contains numerous die, which are cut from the wafer to create a chip for an IC. We rely on third parties in Asia to assemble, package, and, in most cases, test these devices and ship these units to our customers. Testing performed by such third parties facilitates faster delivery of products to our customers (particularly those located in Asia), shorter production cycle times, lower inventory requirements, lower costs and increased flexibility of test capacity.

The sales cycle for our ICs can be as long as 12 months or more. An additional three to six months or more are usually required before a customer ships a significant volume of devices that incorporate our ICs. Due to this lengthy sales cycle, we typically experience a significant delay between incurring research and development and selling, general and administrative expenses, and the corresponding sales. Consequently, if sales in any quarter do not occur when expected, expenses and inventory levels could be disproportionately high, and our operating results for that quarter and, potentially, future quarters would be adversely affected. Moreover, the amount of time between initial research and development and commercialization of a product, if ever, can be substantially longer than the sales cycle for the product. Accordingly, if we incur substantial research and development costs without developing a commercially successful product, our operating results, as well as our growth prospects, could be adversely affected.

Because some of our ICs are designed for use in consumer products, we expect that the demand for our products will be typically subject to some degree of seasonal demand. However, rapid changes in our markets and across our product areas make it difficult for us to accurately estimate the impact of seasonal factors on our business.

## Discontinued Operations

On April 22, 2021, we entered into an Asset Purchase Agreement pursuant to which Skyworks Solutions, Inc. agreed to acquire certain assets, rights, and properties, and assume certain liabilities, comprising our infrastructure and automotive business for \$2.75 billion in cash. The sale was completed pursuant to the terms of the Agreement on July 26, 2021. The results of operations of the sold component have been presented in the accompanying consolidated financial statements as discontinued operations and, therefore, are excluded from the following discussion of the results of our continuing operations.

## Current Period Highlights of Continuing Operations

Revenues increased \$209.9 million in fiscal 2021 compared to fiscal 2020 due to increased demand for our products. Gross profit increased \$130.6 million during the same period due primarily to increased product sales. Gross margin increased to 59.0% in fiscal 2021 compared to 57.7% in fiscal 2020 primarily due to variations in product mix. Operating expenses increased \$56.3 million in fiscal 2021 compared to fiscal 2020 due primarily to increased personnel-related expenses, new product introduction costs, occupancy costs and amortization of intangible assets. Operating loss in fiscal 2021 was \$32.8 million compared to \$107.1 million in fiscal 2020.

We ended fiscal 2021 with \$2.0 billion in cash, cash equivalents and short-term investments. Net cash provided by operating activities was \$91.2 million during fiscal 2021. Accounts receivable were \$98.3 million at January 1, 2022, representing 42 days sales outstanding (DSO). Inventory was \$49.3 million at January 1, 2022, representing 55 days of inventory (DOI). In fiscal 2021, we repurchased 6.5 million shares of our common stock for an aggregate cost of \$1.15 billion, including 4.0 million shares through a tender offer, 1.7 million shares through an ASR agreement and 0.8 million shares through our existing share repurchase program. During fiscal 2021, we paid \$140.6 million in cash and issued 528,022 shares of common stock in connection with the redemption of the remaining principal of our 2022 convertible senior notes.

Through acquisitions and internal development efforts, we have continued to diversify our portfolio and introduce new products and solutions with added functionality and integration. In fiscal 2021, we introduced a 3D virtual smart home platform that takes users through innovative smart home solutions, various applicable protocols, and ecosystem connections; Z-Wave 800 system-on-chips (SoCs) and modules for the Z-Wave smart home and automation ecosystem; Custom Part Manufacturing Service (CPMS) to support IoT companies with the implementation of 'Zero Trust' security architectures to meet emerging cybersecurity standards; the Unify Software Development Kit (SDK), which provides the common building blocks for connectivity across IoT ecosystems; new sub-1-GHz SoCs delivering wireless solutions that combine long-range RF and energy efficiency with certified ARM PSA Level 3 security; a fully integrated, certified Wi-SUN® solution simplifying Low Power Wide Area Network (LPWAN) deployment for smart cities; wireless solutions for development of Matter end products that support Thread, Wi-Fi, and Bluetooth protocols; and a new 32-bit MCU on our award-winning xG22 platform for IoT edge applications. We plan to continue introducing products that increase the content we provide for existing applications, thereby enabling us to serve markets we do not currently address and expand our total available market opportunity.

During fiscal 2021, 2020 and 2019, we had no customer that represented more than 10% of our revenues. In addition to direct sales to customers, some of our end customers purchase products indirectly from us through distributors and contract manufacturers. An end customer purchasing through a contract manufacturer typically instructs such contract manufacturer to obtain our products and incorporate such products with other components for sale by such contract manufacturer to the end customer. Although we actually sell the products to, and are paid by, the distributors and contract manufacturers, we refer to such end customer as our customer. Three of our distributors who sell to our customers, Arrow Electronics, Edom Technology and Sekorm, each represented 28%, 18% and 12% of our revenues during fiscal 2021, 28%, 19% and 14% of our revenues during fiscal 2020, and 26%, 18% and 10% of our revenues during fiscal 2019, respectively.

The percentage of our revenues derived from outside of the United States was 86% in fiscal 2021, 88% in fiscal 2020 and 87% in fiscal 2019. All of our revenues to date have been denominated in U.S. dollars. We believe that a majority of our revenues will continue to be derived from customers outside of the United States.

## Results of Operations

The following describes the line items set forth in our Consolidated Statements of Income:

**Revenues.** Revenues are generated predominately by sales of our products. Our revenues are subject to variation from period to period due to the volume of shipments made within a period, the mix of products we sell and the

prices we charge for our products.

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**Cost of Revenues.** Cost of revenues includes the cost of purchasing finished silicon wafers processed by independent foundries; costs associated with assembly, test and shipping of those products; costs of personnel and equipment associated with manufacturing support, logistics and quality assurance; costs of software royalties, other intellectual property license costs and certain acquired intangible assets; and an allocated portion of our occupancy costs. Our gross margin fluctuates depending on product mix, manufacturing yields, inventory valuation adjustments, average selling prices and other factors.

**Research and Development.** Research and development expense consists primarily of personnel-related expenses, including stock-based compensation, as well as new product masks, external consulting and services costs, equipment tooling, equipment depreciation, amortization of intangible assets and an allocated portion of our occupancy costs. Research and development activities include the design of new products, refinement of existing products and design of test methodologies to ensure compliance with required specifications.

**Selling, General and Administrative.** Selling, general and administrative expense consists primarily of personnel-related expenses, including stock-based compensation, as well as an allocated portion of our occupancy costs, sales commissions to independent sales representatives, amortization of intangible assets, professional fees, legal fees, and promotional and marketing expenses.

**Interest Income and Other, Net.** Interest income and other, net reflects interest earned on our cash, cash equivalents and investment balances, foreign currency remeasurement adjustments, and other non-operating income and expenses.

**Interest Expense.** Interest expense consists of interest on our short and long-term obligations, including our convertible senior notes and credit facility. Interest expense on our convertible senior notes includes contractual interest, amortization of the debt discount and amortization of debt issuance costs.

**Equity-method Earnings.** Equity-method earnings represents income or loss on our equity-method investment.

**Provision (Benefit) for Income Taxes.** Provision (benefit) for income taxes includes both domestic and foreign income taxes at the applicable tax rates adjusted for non-deductible expenses, research and development tax credits and other permanent differences.

The following table sets forth our Consolidated Statements of Income data as a percentage of revenues for the periods indicated:

	Fiscal Year		
	2021	2020	2019
Revenues	100.0 %	100.0 %	100.0 %
Cost of revenues	41.0	42.3	40.9
Gross margin	59.0	57.7	59.1
Operating expenses:			
Research and development	37.9	46.0	43.4
Selling, general and administrative	25.7	32.7	34.4
Operating expenses	63.6	78.7	77.8
Operating loss	(4.6)	(21.0)	(18.7)
Other income (expense):			
Interest income and other, net	0.8	1.8	2.7
Interest expense	(4.3)	(6.7)	(4.2)
Loss from continuing operations before income taxes	(8.1)	(25.9)	(20.2)
Provision (benefit) for income taxes	1.9	(2.9)	1.5
Equity-method earnings	1.9	0.4	0.1
Loss from continuing operations	(8.1)	(22.6)	(21.6)
Income from discontinued operations, net of income taxes	301.8	25.1	25.7
Net income	293.7 %	2.5 %	4.1 %





## Comparison of Fiscal 2021 to Fiscal 2020

### Revenues

(in millions)	Fiscal Year		Change	% Change
	2021	2020		
Revenues	\$ 720.9	\$ 510.9	\$ 210.0	41.1 %

The change in revenues in fiscal 2021 was due to increased demand for our IoT products. Unit shipment volumes of our products increased by 37.1% while average selling prices increased by 2.7% compared to fiscal 2020. The average selling prices of our products may fluctuate significantly from period to period due to changes in product mix, pricing decisions and other factors. In general, as our products become more mature, we expect to experience decreases in average selling prices.

### Gross Profit

(in millions)	Fiscal Year		Change	% Change
	2021	2020		
Gross profit	\$ 425.4	\$ 294.8	\$ 130.6	
Gross margin	59.0 %	57.7 %	1.3 %	

Gross profit increased in fiscal 2021 due primarily to increased product sales. Gross margin increased in fiscal 2021 primarily due to variations in product mix.

We may experience variations in the average selling prices of certain of our products. Increases in average selling prices may occur during periods of increased demand, but such demand may be short-lived and could be accompanied by higher product costs. Declines in average selling prices create downward pressure on gross margin and may be offset to the extent we are able to introduce higher margin new products and gain market share with our products; reduce costs of existing products through improved design; achieve lower production costs from our wafer suppliers and third-party assembly and test subcontractors; achieve lower production costs per unit as a result of improved yields throughout the manufacturing process; or reduce logistics costs.

### Research and Development

(in millions)	Fiscal Year		Change	% Change
	2021	2020		
Research and development	\$ 273.2	\$ 235.2	\$ 38.0	16.2 %
Percent of revenue	37.9 %	46.0 %		

The increase in research and development expense in fiscal 2021 was primarily due to increases of \$23.9 million for personnel-related expenses, \$8.8 million for new product introduction costs, \$2.1 million for occupancy costs and \$1.0 million for the amortization of intangible assets. The decrease in research and development expense as a percent of revenues in fiscal 2021 was due to our increased revenues. We expect that research and development expense will increase in absolute dollars in the first quarter of 2022 compared to the fourth quarter of 2021.

### Selling, General and Administrative

(in millions)	Fiscal Year		Change	% Change
	2021	2020		
Selling, general and administrative	\$ 185.0	\$ 166.7	\$ 18.3	11.0 %
Percent of revenue	25.7 %	32.7 %		

The increase in selling, general and administrative expense in fiscal 2021 was primarily due to an increase of \$18.9 million for personnel-related expenses. The decrease in selling, general and administrative expense as a percent of revenues in fiscal 2021 was due to our increased revenues. We expect that selling, general and administrative expense will decrease in absolute dollars in the first quarter of 2022 compared to the fourth quarter of 2021.

## Interest Income and Other, Net

Interest income and other, net in fiscal 2021 was \$5.7 million compared to \$9.0 million in fiscal 2020. The decrease in interest income and other, net in fiscal 2021 was primarily due to lower interest rates on the underlying instruments.

## Interest Expense

Interest expense in fiscal 2021 was \$31.0 million compared to \$34.1 million in fiscal 2020. The decrease in interest expense in fiscal 2021 was primarily due to a net decrease of \$2.7 million in interest resulting from the reduction in the aggregate balance of convertible notes outstanding and a decrease in borrowings from our existing credit facility.

## Provision (Benefit) for Income Taxes

(in millions)	Fiscal Year		Change
	2021	2020	
Provision (benefit) for income taxes	\$ 13.4	\$ (14.6)	\$ 28.0
Effective tax rate	(23.1)%	11.0 %	

The provision for income taxes for fiscal 2021 compared to the benefit from income taxes in fiscal 2020 was primarily due to the reallocation of income tax benefit from continuing operations to discontinued operations under Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2019-12, *Simplifying the Accounting for Income Taxes*, and an increase in the beginning of year valuation allowance on deferred tax assets for state attribute carryforwards. Additionally, tax expense on the gain from the divestiture of the infrastructure and automotive business to Skyworks Solutions of \$346.9 million was recorded in discontinued operations for the period, net of tax benefits associated with discontinued operations before the gain on sale of \$7.2 million for fiscal 2021.

## Equity-method Earnings

Equity-method earnings in fiscal 2021 were \$13.7 million compared to \$2.1 million in fiscal 2020. The increase in equity-method earnings in fiscal 2021 was due to an increase in the unrealized gain on an equity-method investment.

## Income from discontinued operations, net of income taxes

(in millions)	Fiscal Year		Change
	2021	2020	
Income from discontinued operations, net of income taxes	\$2,175.3	\$128.0	\$ 2,047.3

The increase in income from discontinued operations, net of income taxes in fiscal 2021 was primarily due to a gain on sale of \$2.1 billion, net of tax, in fiscal 2021. See Note 3, *Discontinued Operations*, to the Consolidated Financial Statements for additional information.

## Comparison of Fiscal 2020 to Fiscal 2019

### Revenues

(in millions)	Fiscal Year		Change	% Change
	2020	2019		
Revenues	\$510.9	\$473.8	\$ 37.1	7.8 %

The change in revenues in fiscal 2020 was due to increased demand for our IoT products. Unit shipment volumes of our products increased by 17.0% while average selling prices decreased by 7.4% compared to fiscal 2019.

## Gross Profit

(in millions)	Fiscal Year		Change
	2020	2019	
Gross profit	\$294.8	\$280.2	\$ 14.6
Gross margin	57.7 %	59.1 %	(1.4)%

Gross profit increased in fiscal 2020 due primarily to increased product sales. Gross margin decreased in fiscal 2020 primarily due to variations in product mix.

## Research and Development

(in millions)	Fiscal Year		Change	% Change
	2020	2019		
Research and development	\$235.2	\$205.7	\$ 29.5	14.3 %
Percent of revenue	46.0 %	43.4 %		

The increase in research and development expense in fiscal 2020 was primarily due to increases of \$18.0 million for personnel-related expenses, including costs associated with increased headcount and an acquisition, \$5.2 million for new product introduction costs, \$3.5 million for the amortization of intangible assets and \$1.1 million for occupancy costs.

## Selling, General and Administrative

(in millions)	Fiscal Year		Change	% Change
	2020	2019		
Selling, general and administrative	\$166.7	\$163.2	\$ 3.5	2.2 %
Percent of revenue	32.7 %	34.4 %		

The increase in selling, general and administrative expense in fiscal 2020 was primarily due to an increase of \$3.3 million for personnel-related expenses, including costs associated with increased headcount.

## Interest Income and Other, Net

Interest income and other, net in fiscal 2020 was \$9.0 million compared to \$12.9 million in fiscal 2019. The decrease in interest income and other, net in fiscal 2020 was primarily due to lower interest rates on the underlying instruments.

## Interest Expense

Interest expense in fiscal 2020 was \$34.1 million compared to \$20.2 million in fiscal 2019. The increase in interest expense in fiscal 2020 was primarily due to a net increase of \$8.0 million in interest resulting from an increase in the aggregate balance of notes outstanding and a loss of \$4.1 million recorded on the early extinguishment of a portion of the 2022 Notes.

## Provision (Benefit) for Income Taxes

(in millions)	Fiscal Year		Change
	2020	2019	
Provision (benefit) for income taxes	\$(14.6)	\$ 7.0	\$ (21.6)
Effective tax rate	11.0 %	(7.3)%	—

The decrease in the provision for income taxes for fiscal 2020 as compared to fiscal 2019 was primarily due to the impact in fiscal 2019 of a change in our position related to the treatment of stock-based compensation within our intercompany cost-sharing arrangement offset by the increased impact of fiscal 2020 permanent tax differences. The incremental, discrete income tax expense recognized in fiscal 2019 for the cost-sharing change was \$18.4 million.

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## Equity-method Earnings

Equity-method earnings in fiscal 2020 were \$2.1 million compared to \$0.3 million in fiscal 2019. The increase in equity-method earnings in fiscal 2020 was due to an increase in the unrealized gain on an equity-method investment.

## Income from discontinued operations, net of income taxes

(in millions)	Fiscal Year		Change
	2020	2019	
Income from discontinued operations, net of income taxes	\$ 128.0	\$ 121.9	\$ 6.1

The increase in income from discontinued operations, net of income taxes in fiscal 2020 was primarily due to a decrease in the provision for income taxes in fiscal 2020.

## Business Outlook

The following represents our business outlook for the first quarter of fiscal 2022.

Income Statement Item	Estimate
Revenues	\$220 million to \$230 million
Gross margin	63%
Operating expenses	\$128 million
Effective tax rate	37%
Diluted earnings per share	\$0.15 to \$0.25

## Liquidity and Capital Resources

Our principal sources of liquidity as of January 1, 2022 consisted of \$2.0 billion in cash, cash equivalents and short-term investments, of which approximately \$730.7 million was held by our U.S. entities. The remaining balance was held by our foreign subsidiaries. Our cash equivalents and short-term investments consisted of government debt securities, which include agency bonds, agency discount notes, municipal bonds and U.S. government securities; corporate debt securities, which include asset-backed securities, corporate bonds, certificates of deposit and commercial paper; and money market funds. Our long-term investments consisted of auction-rate securities.

### Operating Activities

Net cash provided by operating activities was \$91.2 million during fiscal 2021, compared to net cash used of \$8.8 million during fiscal 2020. Operating cash flows during fiscal 2021 reflect our net income of \$2.1 billion, adjustments of \$(2.0) billion for income from discontinued operations, depreciation, amortization, stock-based compensation, equity-method earnings and deferred income taxes, and a net cash inflow of \$20.7 million due to changes in our operating assets and liabilities.

Net cash used in operating activities was \$8.8 million during fiscal 2020, compared to net cash provided of \$22.1 million during fiscal 2019. Operating cash flows during fiscal 2020 reflect our net income of \$12.5 million, adjustments of \$(2.8) million for income from discontinued operations, depreciation, amortization, stock-based compensation, equity-method earnings and deferred income taxes, and a net cash outflow of \$18.5 million due to changes in our operating assets and liabilities.

Accounts receivable increased to \$98.3 million at January 1, 2022 from \$95.2 million at January 2, 2021. The increase in accounts receivable resulted primarily from normal variations in the timing of collections and billings. Our average DSO was 42 days at January 1, 2022 and 35 days at January 2, 2021.

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Inventory increased to \$49.3 million at January 1, 2022 from \$47.9 million at January 2, 2021. Our inventory levels will vary based on the availability of supply, and to a lesser extent, the impact of variations between forecasted demand used for purchasing inventory and actual demand. Our DOI was 55 days at January 1, 2022 and 70 days at January 2, 2021.

### *Investing Activities*

Net cash used in investing activities was \$476.7 million during fiscal 2021, compared to net cash used of \$358.3 million during fiscal 2020. The increase in cash outflows was principally due to an increase in cash outflows of \$424.7 million from net purchases and sales of marketable securities in fiscal 2021, offset by a cash payment of \$316.8 million for the acquisition of the Wi-Fi and Bluetooth business of Redpine Signals in fiscal 2020.

Net cash used in investing activities was \$358.3 million during fiscal 2020, compared to net cash used of \$102.8 million during fiscal 2019. The increase in cash outflows was principally due a cash payment of \$316.8 million for the acquisition of a business in fiscal 2020, offset by a decrease in cash outflows of \$57.4 million from net purchases and sales of marketable securities in fiscal 2019.

### *Financing Activities*

Net cash used in financing activities was \$1.3 billion during fiscal 2021, compared to cash provided of \$200.9 million during fiscal 2020. The increase in cash outflows was principally due to an increase of \$1.1 billion for repurchases of our common stock in fiscal 2021 and \$845.0 million in proceeds from the issuance of debt in fiscal 2020, offset by a decrease of \$484.2 million in payments on debt in fiscal 2021. During fiscal 2021, we repurchased 6.5 million shares, including purchases of 4.0 million shares through a tender offer, 1.7 million shares through an ASR agreement and 0.8 million shares through our existing share repurchase program.

Net cash provided by financing activities was \$200.9 million during fiscal 2020, compared to cash used of \$29.6 million during fiscal 2019. The increase in cash inflows was principally due to \$845.0 million in proceeds from the issuance of debt and a decrease of \$10.4 million for repurchases of our common stock, offset by \$623.6 million in payments on debt in fiscal 2020.

### *Discontinued Operations*

Net cash provided by discontinued operations was \$2.6 billion during fiscal 2021, compared to net cash provided of \$141.9 million during fiscal 2020. The increase in cash inflows was principally due to \$2.75 billion in proceeds from the sale of our infrastructure and automotive business, offset by a payment of \$252.8 million for incomes taxes on the gain on sale.

Net cash provided by discontinued operations was \$141.9 million during fiscal 2020, compared to net cash provided of \$140.4 million during fiscal 2019.

### *Debt*

As of January 1, 2022, our debt included \$535 million principal amount of convertible senior notes (the “2025 Notes”). We also had an undrawn \$400 million revolving credit facility. We have an option to increase the size of the borrowing capacity of the revolving credit facility by up to the greater of an aggregate of \$250 million and 100% of EBITDA, plus an amount that would not cause a secured leverage ratio to exceed 3.25 to 1.00, subject to certain conditions. On January 1, 2022, a condition regarding early conversion of the 2025 Notes was met, and as a result, holders have the right to convert their notes at any time during the quarter ending March 31, 2022. On January 2, 2022, we irrevocably elected cash settlement for the principal amount of the 2025 Notes.

On January 6, 2021, we issued a notice of redemption for the remaining 2022 convertible senior notes (the “2022 Notes”). During fiscal 2021, we paid \$140.6 million in cash and issued 528,022 shares of common stock in connection with the redemption of the remaining 2022 Notes. See Note 11, *Debt*, to the Consolidated Financial Statements for additional information.



### *Capital Requirements*

Our future capital requirements will depend on many factors, including the rate of sales growth, market acceptance of our products, the timing and extent of research and development projects, potential acquisitions of companies or technologies and the expansion of our sales and marketing activities. We believe our existing cash, cash equivalents, investments, credit under our Credit Facility, and cash generated from operations are sufficient to meet our short-term and long-term capital requirements, although we could be required, or could elect, to seek additional funding prior to that time. We may enter into acquisitions or strategic arrangements in the future which also could require us to seek additional equity or debt financing.

### *Contractual Obligations*

Our purchase obligations primarily include contractual arrangements in the form of purchase orders with suppliers. As of January 1, 2022, such purchase obligations were \$190.2 million. For a description of other contractual obligations, see Note 11, *Debt*, and Note, 12, *Leases*, to the Consolidated Financial Statements

### **Critical Accounting Policies and Estimates**

The preparation of financial statements and accompanying notes in conformity with U.S. generally accepted accounting principles requires that we make estimates and assumptions that affect the amounts reported. Changes in facts and circumstances could have a significant impact on the resulting estimated amounts included in the financial statements. We believe the following critical accounting policies affect our more complex judgments and estimates.

*Inventory valuation* – We assess the recoverability of inventories through the application of a set of methods, assumptions and estimates. In determining net realizable value, we write down inventory that may be slow moving or have some form of obsolescence, including inventory that has aged more than 12 months. We also adjust the valuation of inventory when its manufacturing cost exceeds the estimated selling price less costs of completion, disposal and transportation. We assess the potential for any unusual customer returns based on known quality or business issues and write-off inventory losses for scrap or non-saleable material. Inventory not otherwise identified to be written down is compared to an assessment of our 12-month forecasted demand. The result of this methodology is compared against the product life cycle and competitive situations in the marketplace to determine the appropriateness of the resulting inventory levels. Demand for our products may fluctuate significantly over time, and actual demand and market conditions may be more or less favorable than those that we project. In the event that actual demand is lower or market conditions are worse than originally projected, additional inventory write-downs may be required.

*Impairment of goodwill and other long-lived assets* – We review long-lived assets which are held and used, including fixed assets and purchased intangible assets, for impairment whenever changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Such evaluations compare the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset over its expected useful life and are significantly impacted by estimates of future prices and volumes for our products, capital needs, economic trends and other factors which are inherently difficult to forecast. If the asset is considered to be impaired, we record an impairment charge equal to the amount by which the carrying value of the asset exceeds its fair value determined by either a quoted market price, if any, or a value determined by utilizing a discounted cash flow technique.

We test our goodwill for impairment annually as of the first day of our fourth fiscal quarter and in interim periods if certain events occur indicating that the carrying value of goodwill may be impaired. We assess goodwill for impairment by comparing the fair value of a reporting unit to its carrying amount. In determining fair value, several valuation methodologies are allowed, although quoted market prices are the best evidence of fair value. If the fair value of the reporting unit is less than its carrying amount, we recognize an impairment loss equal to that excess amount.

*Acquired intangible assets* – When we acquire a business, a portion of the purchase price is typically allocated to identifiable intangible assets, such as acquired technology and customer relationships. Fair value of these assets is determined primarily using the income approach, which requires us to project future cash flows and apply an appropriate discount rate. We amortize intangible assets with finite lives over their expected useful lives. Our estimates are based upon assumptions believed to be reasonable but which are inherently uncertain and unpredictable. Assumptions may be incomplete or inaccurate, and unanticipated events and circumstances may occur. Incorrect estimates could result in future impairment charges, and those charges could be material to our results of operations.

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*Revenue recognition* – We recognize revenue when control of the promised goods or services is transferred to customers, in an amount that reflects the consideration we expect to be entitled to in exchange for those goods or services. In order to achieve this core principle, we apply a five-step process. As part of this process, we analyze the performance obligations in a customer contract and estimate the variable consideration we expect to receive. The evaluation of performance obligations requires that we identify the promised goods and services in the contract. For contracts that contain more than one promised good and service, we then must determine whether the promises are capable of being distinct and if they are separately identifiable from other promises in the contract. Variable consideration primarily includes sales made to distributors under agreements allowing certain rights of return, referred to as stock rotation, and credits issued to the distributor due to price protection. We estimate variable consideration at the most likely amount to which we expect to be entitled. We make these estimates based on available information, including recent sales activity and pricing data. We apply a constraint to our variable consideration estimate which considers both the likelihood of a return and the amount of a potential price concession. If our evaluation of performance obligations is incorrect, we may recognize revenue sooner or later than is appropriate. If our estimates of variable consideration are inaccurate, we may recognize too much or too little revenue in a period. We may adjust assumptions used to estimate consideration periodically based on analysis of prior estimates.

*Stock-based compensation* – We recognize the fair-value of stock-based compensation transactions in the Consolidated Statements of Income. The fair value of our full-value stock awards (with the exception of market-based performance awards) equals the fair market value of our stock on the date of grant. The fair value of our market-based performance awards is estimated at the date of grant using a Monte-Carlo simulation. The fair value of our stock option and employee stock purchase plan grants is estimated at the date of grant using the Black-Scholes option pricing model. In addition, we are required to estimate the expected forfeiture rate of our stock grants and only recognize the expense for those shares expected to vest. If our actual experience differs significantly from the assumptions used to compute our stock-based compensation cost, or if different assumptions had been used, we may have recorded too much or too little stock-based compensation cost. See Note 16, *Stock-Based Compensation*, to the Consolidated Financial Statements for additional information.

*Income taxes* – We are required to calculate income taxes in each of the jurisdictions in which we operate. This process involves calculating the actual current tax liability together with assessing temporary differences in recognition of income (loss) for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which are included in our Consolidated Balance Sheets. We record a valuation allowance when it is more likely than not that some portion or all of the deferred tax assets will not be realized. In assessing the need for a valuation allowance, we are required to estimate the amount of expected future taxable income. Judgment is inherent in this process and differences between the estimated and actual taxable income could result in a material impact on our Consolidated Financial Statements.

We recognize liabilities for uncertain tax positions based on a two-step process. The first step requires us to determine whether the weight of available evidence indicates that the tax position has met the threshold for recognition. Therefore, we must evaluate whether it is more likely than not that the position will be sustained on audit, including resolution of any related appeals or litigation processes. The second step requires us to measure the tax benefit of the tax position taken, or expected to be taken, in an income tax return as the largest amount that is more than 50% likely of being realized upon ultimate settlement. This measurement step is inherently complex and requires subjective estimations of such amounts to determine the probability of various possible outcomes. We re-evaluate the uncertain tax positions each quarter based on factors including, but not limited to, changes in facts or circumstances, changes in tax law, expirations of statutes of limitation, effectively settled issues under audit, and new audit activity. Such a change in recognition or measurement would result in the recognition of a tax benefit or an additional charge to the tax provision in the period.

Although we believe the measurement of our liabilities for uncertain tax positions is reasonable, no assurance can be given that the final outcome of these matters will not be different than what is reflected in the historical income tax provisions and accruals. If additional taxes are assessed as a result of an audit or litigation, they could have a material effect on our income tax provision and net income in the period or periods for which that determination is made. We operate within multiple taxing jurisdictions and are subject to audit in these jurisdictions. These audits can involve complex issues which may require an extended period of time to resolve and could result in additional assessments of income tax. We believe adequate provisions for income taxes have been made for all periods.

## **Recent Accounting Pronouncements**

Information regarding recent accounting pronouncements is provided in Note 2, *Significant Accounting Policies*, to the Consolidated Financial Statements. Such information is incorporated by reference herein.

## **Item 7A. Quantitative and Qualitative Disclosures about Market Risk**

### *Interest Income*

Our investment portfolio includes cash, cash equivalents, short-term investments and long-term investments. Our main investment objectives are the preservation of investment capital and the maximization of after-tax returns on our investment portfolio. Our interest income is sensitive to changes in the general level of U.S. interest rates. Our investment portfolio holdings as January 1, 2022 and January 2, 2021 yielded less than 100 basis points. A decline in yield to zero basis points on our investment portfolio holdings as of January 1, 2022 and January 2, 2021 would decrease our future annual interest income by approximately \$3.6 million and \$5.2 million, respectively. We believe that our investment policy, which defines the duration, concentration, and minimum credit quality of the allowable investments, meets our investment objectives.

### *Interest Expense*

We are exposed to interest rate fluctuations in the normal course of our business, including through our credit facility. The interest rate on the credit facility consists of a variable rate of interest and an applicable margin. While we have drawn from the credit facility in the past, we have no borrowings as of January 1, 2022. If we borrow from the credit facility in the future, we will again be exposed to interest rate fluctuations.

### *Foreign currency exchange rate risk*

We are exposed to foreign currency exchange rate risk primarily through assets, liabilities and operating expenses of our subsidiaries denominated in currencies other than the U.S. dollar. Our foreign subsidiaries are considered to be extensions of the U.S. parent. The functional currency of the foreign subsidiaries is the U.S. dollar. Accordingly, gains and losses resulting from remeasuring transactions denominated in currencies other than U.S. dollars are recorded in the Consolidated Statements of Income. We use foreign currency forward contracts to manage exposure to foreign exchange risk. Gains and losses on foreign currency forward contracts are recognized in earnings in the same period during which the hedged transaction is recognized.

### *Investments in Auction-rate Securities*

As of January 1, 2022, we held \$6.0 million par value auction-rate securities, all of which have experienced failed auctions because sell orders exceeded buy orders. We are unable to predict if these funds will become available before their maturity dates. Additionally, if we determine that a credit-related decline in the fair value of any of our available-for-sale auction-rate securities has occurred, we may be required to adjust the carrying value of the investments through an impairment charge.

## **Item 8. Financial Statements and Supplementary Data**

The Financial Statements and supplementary data required by this item are included in Part IV, Item 15 of this Form 10-K and are presented beginning on page F-1.

## **Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**

None.

## **Item 9A. Controls and Procedures**

### **Evaluation of Disclosure Controls and Procedures**

We have performed an evaluation under the supervision and with the participation of our management, including our Chief Executive Officer (CEO) and Chief Financial Officer (CFO), of the effectiveness of our disclosure controls and procedures, as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934 (the Exchange Act). Based on that evaluation, our management, including our CEO and CFO, concluded that our disclosure controls and procedures were effective as of January 1, 2022 to provide reasonable assurance that information required to be disclosed by us in the reports filed or submitted by us under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Such disclosure controls and procedures include controls and procedures designed to ensure that information required to be disclosed is accumulated and communicated to our management, including our CEO and CFO, to allow timely decisions regarding required disclosures.

### **Changes in Internal Control over Financial Reporting**

There was no change in our internal controls during the fiscal quarter ended January 1, 2022 that materially affected, or is reasonably likely to materially affect, our internal controls over financial reporting.

### **Management's Report on Internal Control over Financial Reporting**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Our internal control system was designed to provide reasonable assurance to our management and Board of Directors regarding the preparation and fair presentation of published financial statements.

Our management assessed the effectiveness of our internal control over financial reporting as of January 1, 2022. In making this assessment, it used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control—Integrated Framework (2013 framework). Based on our assessment we concluded that, as of January 1, 2022, our internal control over financial reporting is effective based on those criteria.

Our independent registered public accounting firm, Ernst & Young LLP, issued an attestation report on our internal control over financial reporting. This report appears on page F-3.

## **Item 9B. Other Information**

None.

## **Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections**

None.

### **Part III**

Certain information required by Part III is omitted from this report because we intend to file a definitive Proxy Statement pursuant to Regulation 14A (the “Proxy Statement”) no later than 120 days after the end of the fiscal year covered by this report, and certain information to be included therein is incorporated herein by reference.

#### **Item 10. Directors, Executive Officers and Corporate Governance**

The information required by this Item is incorporated by reference to the Proxy Statement under the sections captioned “Proposal One: Election of Directors,” “Executive Compensation,” “Section 16(a) Beneficial Ownership Reporting Compliance” and “Code of Ethics.”

#### **Item 11. Executive Compensation**

The information under the caption “Executive Compensation” and “Proposal One: Election of Directors” appearing in the Proxy Statement, is incorporated herein by reference.

#### **Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters**

The information under the caption “Ownership of Securities” and “Equity Compensation Plan Information” appearing in the Proxy Statement is incorporated herein by reference.

#### **Item 13. Certain Relationships and Related Transactions, and Director Independence**

The information under the caption “Certain Relationships and Related Transactions, and Director Independence” appearing in the Proxy Statement is incorporated herein by reference.

#### **Item 14. Principal Accounting Fees and Services**

The information under the caption “Proposal Two: Ratification of Appointment of Independent Registered Public Accounting Firm” appearing in the Proxy Statement is incorporated herein by reference.

**Part IV**

**Item 15. Exhibits and Financial Statement Schedules**

(a) 1. Financial Statements

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<a href="#">Report of independent registered public accounting firm</a> (PCAOB ID: 42)	F-1
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<a href="#">Consolidated Balance Sheets at January 1, 2022 and January 2, 2021</a>	F-4
<a href="#">Consolidated Statements of Income for the fiscal years ended January 1, 2022, January 2, 2021 and December 28, 2019</a>	F-5
<a href="#">Consolidated Statements of Comprehensive Income for the fiscal years ended January 1, 2022, January 2, 2021 and December 28, 2019</a>	F-6
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<a href="#">Notes to Consolidated Financial Statements</a>	F-9

2. Schedules

All schedules have been omitted since the information required by the schedule is not applicable, or is not present in amounts sufficient to require submission of the schedule, or because the information required is included in the Consolidated Financial Statements and notes thereto.

3. Exhibits

The exhibits listed on the accompanying index to exhibits immediately following the Consolidated Financial Statements are filed as part of, or hereby incorporated by reference into, this Form 10-K.



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### (b) Exhibits

The following exhibits are filed as part of this report:

<u>Exhibit Number</u>	
2.1*	<a href="#">Asset Purchase Agreement dated April 22, 2021 between Silicon Laboratories Inc. and Skyworks Solutions, Inc. (filed as Exhibit 2.1 to the Form 8-K filed on April 22, 2021).</a>
3.1*	<a href="#">Form of Fourth Amended and Restated Certificate of Incorporation of Silicon Laboratories Inc. (filed as Exhibit 3.1 to the Registration Statement on Form S-1 (Securities and Exchange Commission File No. 333-94853) (the "IPO Registration Statement")).</a>
3.2*	<a href="#">Fifth Amended and Restated Bylaws of Silicon Laboratories Inc. (filed as Exhibit 3.1 to the Form 8-K filed on February 3, 2021).</a>
4.1*	<a href="#">Specimen certificate for shares of common stock (filed as Exhibit 4.1 to the IPO Registration Statement).</a>
4.2*	<a href="#">Indenture between Silicon Laboratories Inc. and Wilmington Trust, National Association, as trustee, dated March 6, 2017 (filed as Exhibit 4.1 to the Form 8-K filed on March 6, 2017).</a>
4.3*	<a href="#">Form of 1.375% Convertible Senior Note due 2022 (filed as Exhibit 4.2 to the Form 8-K filed on March 6, 2017).</a>
4.4*	<a href="#">Indenture between Silicon Laboratories Inc. and Wilmington Trust, National Association, as trustee, dated June 1, 2020 (filed as Exhibit 4.1 to the Form 8-K filed on June 1, 2020).</a>
4.5*	<a href="#">Form of 0.625% Convertible Senior Note due 2025 (filed as Exhibit 4.2 to the Form 8-K filed on June 1, 2020).</a>
10.1*+	<a href="#">Form of Indemnification Agreement between Silicon Laboratories Inc. and each of its directors and executive officers (filed as Exhibit 10.1 to the IPO Registration Statement).</a>
10.2*	<a href="#">Credit Agreement, dated July 31, 2012, by and among Silicon Laboratories Inc., the subsidiaries of the borrower identified therein, Bank of America, N.A., Wells Fargo Bank, National Association, and Regions Bank (filed as Exhibit 10.1 to the Form 8-K filed August 1, 2012).</a>
10.3*	<a href="#">First Amendment to Credit Agreement, dated July 24, 2015, by and among Silicon Laboratories Inc., the subsidiaries of the borrower identified therein, Wells Fargo Bank, National Association, Citibank, N.A., Regions Bank, Bank of America, N.A. and the lenders party thereto (filed as Exhibit 10.1 to the Form 8-K filed on July 29, 2015).</a>
10.4*	<a href="#">Second Amendment to Credit Agreement, dated February 27, 2017, by and among Silicon Laboratories Inc., the subsidiaries of the borrower identified therein, Wells Fargo Bank, National Association and the lenders party thereto (filed as Exhibit 10.1 to the Form 8-K filed on February 27, 2017).</a>
10.5*	<a href="#">Third Amendment to Credit Agreement, dated August 7, 2019, by and among Silicon Laboratories Inc., the subsidiaries of the borrower identified therein, Wells Fargo Bank, National Association and the lenders party thereto (filed as Exhibit 10.1 to the Form 8-K filed on August 7, 2019).</a>
10.6*	<a href="#">Fourth Amendment to Credit Agreement, dated May 26, 2020, by and among Silicon Laboratories Inc., the subsidiaries of the borrower identified therein, Wells Fargo Bank, National Association and the lenders party thereto (filed as Exhibit 10.1 to the Form 8-K filed on May 27, 2020).</a>
10.7*	<a href="#">Security and Pledge Agreement, dated July 31, 2012, by and among Silicon Laboratories Inc., with the other parties identified as "Obligors" (as defined therein) and such other parties that may become Obligors thereunder after the date thereof, and Bank of America, N.A (filed as Exhibit 10.2 to the Form 8-K filed August 1, 2012).</a>
10.8*+	<a href="#">Form of Restricted Stock Units Grant Notice and Global Restricted Stock Units Award Agreement under Registrant's 2009 Stock Incentive Plan, as amended and restated (filed as Exhibit 10.7 to the Form 10-K filed on February 1, 2017).</a>
10.9*+	<a href="#">Form of Market Stock Units Grant Notice and Global Market Stock Units Award Agreement under Registrant's 2009 Stock Incentive Plan, as amended and restated (filed as Exhibit 10.8 to the Form 10-K filed on February 1, 2017).</a>
10.10*+	<a href="#">Form of Stock Option Grant Notice and Global Stock Option Award Agreement under Registrant's 2009 Stock Incentive Plan, as amended and restated (filed as Exhibit 10.9 to the Form 10-K filed on February 1, 2017).</a>
10.11*+	<a href="#">Form of Performance Stock Units Grant Notice and Global PSU Award Agreement under Registrant's 2009 Stock Incentive Plan, as amended and restated (filed as Exhibit 10.10 to the Form 10-K filed on</a>



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<u>Exhibit Number</u>	
10.12*	<a href="#"><u>Purchase Agreement between Silicon Laboratories Inc. and Goldman, Sachs &amp; Co. and Wells Fargo Securities, LLC, as representatives of the several initial purchasers named therein, dated February 28, 2017 (filed as Exhibit 10.1 to the Form 8-K filed on March 6, 2017).</u></a>
10.13*+	<a href="#"><u>Silicon Laboratories Inc. 2021 Bonus Plan (filed as Exhibit 10.1 to the Form 8-K filed on February 3, 2021).</u></a>
10.14*+	<a href="#"><u>Silicon Laboratories Inc. Form of CEO Severance Agreement (filed as Exhibit 10.1 to the Form 8-K filed on May 17, 2021).</u></a>
10.15*+	<a href="#"><u>Silicon Laboratories Inc. Form of Executive Severance Agreement (filed as Exhibit 10.2 to the Form 8-K filed on May 17, 2021).</u></a>
10.16*+	<a href="#"><u>Silicon Laboratories Inc. Form of Performance Stock Units Grant Notice and Global PSU Award Agreement under Registrant's 2009 Stock Incentive Plan, as amended and restated (filed as Exhibit 10.3 to the Form 8-K filed on May 17, 2021).</u></a>
10.17*+	<a href="#"><u>Silicon Laboratories Inc. 2009 Stock Incentive Plan (As Amended and Restated on April 22, 2021) (filed as Exhibit 4.3 to the Form S-8 filed on May 5, 2021).</u></a>
10.18*+	<a href="#"><u>Silicon Laboratories Inc. 2009 Employee Stock Purchase Plan (As Amended and Restated on April 22, 2021) (filed as Exhibit 4.4 to the Form S-8 filed on May 5, 2021).</u></a>
10.19*+	<a href="#"><u>CEO Transition Agreement between G. Tyson Tuttle and Silicon Laboratories Inc. dated July 27, 2021 (filed as Exhibit 10.1 to the Form 8-K filed on July 28, 2021).</u></a>
10.20*	<a href="#"><u>ASR Agreement dated October 27, 2021 between Silicon Laboratories Inc. and Goldman Sachs &amp; Co. LLC (filed as Exhibit 10.1 to the Form 8-K filed on October 28, 2021).</u></a>
10.21*+	<a href="#"><u>Silicon Laboratories Inc. Form of Performance Stock Units Grant Notice and Global PSU Award Agreement under Registrant's 2009 Stock Incentive Plan, as amended and restated (filed as Exhibit 10.1 to the Form 8-K filed on December 23, 2021).</u></a>
21	<a href="#"><u>Subsidiaries of the Registrant.</u></a>
23.1	<a href="#"><u>Consent of Independent Registered Public Accounting Firm.</u></a>
24	<a href="#"><u>Power of Attorney (included on signature page to this Form 10-K).</u></a>
31.1	<a href="#"><u>Certification of the Principal Executive Officer, as required by Section 302 of the Sarbanes-Oxley Act of 2002.</u></a>
31.2	<a href="#"><u>Certification of the Principal Financial Officer, as required by Section 302 of the Sarbanes-Oxley Act of 2002.</u></a>
32.1	<a href="#"><u>Certification as required by Section 906 of the Sarbanes-Oxley Act of 2002.</u></a>
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

\* Incorporated herein by reference to the indicated filing.

+ Management contract or compensatory plan or arrangement

### **Item 16. Form 10-K Summary**

None.

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**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in Austin, Texas, on February 2, 2022.

SILICON LABORATORIES INC.

By: /s/ R. Matthew Johnson  
R. Matthew Johnson  
*President and*  
*Chief Executive Officer*

**POWER OF ATTORNEY**

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints R. Matthew Johnson and John C. Hollister and each of them, acting individually, as his or her attorney-in-fact, each with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign any and all amendments to this annual report on Form 10-K and other documents in connection herewith and therewith, and to file the same, with all exhibits thereto, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection herewith and therewith and about the premises, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated:

<b>Name</b>	<b>Title</b>	<b>Date</b>
<u>/s/ Navdeep S. Sooch</u>	Chairman of the Board	February 2, 2022
Navdeep S. Sooch		
<u>/s/ R. Matthew Johnson</u>	President, Chief Executive Officer and Director	February 2, 2022
R. Matthew Johnson	(Principal Executive Officer)	
<u>/s/ John C. Hollister</u>	Senior Vice President and Chief Financial Officer	February 2, 2022
John C. Hollister	(Principal Financial Officer)	
<u>/s/ Mark D. Mauldin</u>	Chief Accounting Officer	February 2, 2022
Mark D. Mauldin	(Principal Accounting Officer)	
<u>/s/ William G. Bock</u>	Director	February 2, 2022
William G. Bock		
<u>/s/ Jack R. Lazar</u>	Director	February 2, 2022
Jack R. Lazar		
<u>/s/ Gregg Lowe</u>	Director	February 2, 2022
Gregg Lowe		
<u>/s/ Sherri Luther</u>	Director	February 2, 2022

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Sherri Luther

/s/ Nina Richardson

Director

February 2,  
2022

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Nina Richardson

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/s/ Sumit Sadana	Director	February 2, 2022
Sumit Sadana		
/s/ William P. Wood	Director	February 2, 2022
William P. Wood		
/s/ Christy Wyatt	Director	February 2, 2022
Christy Wyatt		

## **Report of Independent Registered Public Accounting Firm**

### **The Board of Directors and Stockholders of Silicon Laboratories Inc.**

#### **Opinion on the Financial Statements**

We have audited the accompanying consolidated balance sheets of Silicon Laboratories Inc. (the Company) as of January 1, 2022 and January 2, 2021, the related consolidated statements of income, comprehensive income, changes in stockholders' equity and cash flows for each of the three years in the period ended January 1, 2022, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at January 1, 2022 and January 2, 2021, and the results of its operations and its cash flows for each of the three years in the period ended January 1, 2022, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of January 1, 2022, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 2, 2022 expressed an unqualified opinion thereon.

#### **Basis for Opinion**

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

#### **Critical Audit Matters**

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

#### ***Recognition of Variable Consideration***

*Description of the Matter* At January 1, 2022 the Company's revenue returns liability, which is included in the deferred revenues and returns liability in the consolidated balance sheet, was \$13.8 million. As discussed in Note 2 of the consolidated financial statements, when recording revenue for its contracts with customers the Company estimates variable consideration at the most likely amount to which it expects to be entitled. Variable consideration that does not meet revenue recognition criteria is deferred and a revenue returns liability is recorded. The variable consideration estimate considers both the likelihood of a return and the amount of potential price concession.

Auditing management's estimate of the revenue returns liability was judgmental because the calculation involves subjective management assumptions about the estimates of expected future price concessions and/or product returns. For example, the estimated variable consideration included in the transaction price reflects management's evaluation of contractual terms, historical experience, assumptions about future economic conditions and the quantity of products distributors



are expected to sell. Changes in those assumptions can have a material effect on the amount of variable consideration recognized.

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*How We Addressed the Matter in Our Audit* We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the measurement and valuation of the variable consideration recognized as revenue and the revenue returns liability. For example, we tested controls over management's review of the variable consideration methodology, the significant assumptions and the historical data utilized in the estimate for assumed product returns and expected price concessions.

To test the variable consideration recognized as revenue and the revenue returns liability, we performed audit procedures that included, among others, an evaluation of the Company's methodology and significant assumptions and estimates, and tested the completeness and accuracy of the historical data utilized in the estimates. In our assessment of the methodology, we considered changes in the business, changes to specific distributor contracts, and evaluated significant assumptions used by management by comparison to current trends and recent transactions. We also evaluated the accuracy of management's assumed product returns and expected price concessions from prior periods by comparing to subsequent actual activity.

### ***Accounting for Discontinued Operations***

*Description of the Matter* As discussed in Note 3 of the consolidated financial statements, on July 26, 2021, the Company completed the sale of its Infrastructure and Automotive ("I&A") business to Skyworks Solutions, Inc. for \$2.75 billion in cash. In connection with the sale, the Company recognized a pre-tax gain of \$2.4 billion in discontinued operations. As a result of the discontinued operations classification, the comparative period consolidated financial statements for fiscal years 2020 and 2019 have been recast to reclassify balance sheet, income statement and cash flow amounts related to the infrastructure and automotive business as discontinued operations.

Auditing the Company's discontinued operations was complex due to judgments made by management to calculate the gain on sale, including allocating goodwill between the I&A and Internet of Things (IoT) business lines as well as the non-routine process used by management to compile historical financial data for the I&A business, which involved certain judgments in allocating expenses to the discontinued operations.

*How We Addressed the Matter in Our Audit* We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the Company's accounting for the discontinued operations. For example, we tested controls over management's treatment of the sale and calculation of the gain on sale, which included management's review of the methodologies and assumptions used in the gain on sale calculation as well as controls over the disclosure of discontinued operations, including recasting prior period comparative financial statements.

Our audit procedures included, among others, testing the accuracy of the gain on sale calculation and evaluating the adequacy of the company's disclosures related to discontinued operations. For example, we evaluated the appropriateness of the company's application of the criteria for reporting of discontinued operations by inspecting management's supporting documentation, reading of board of director meeting minutes and other entity information, and evaluating for contrary evidence based on our understanding of the business. To test the gain recognized in discontinued operations, we performed audit procedures that included testing the existence and valuation of cash proceeds; inspecting the related sale agreement to obtain an understanding of the assets and liabilities included in the scope of the sales transaction and testing the completeness and accuracy of the assets and liabilities included in the gain calculation on a sample basis by comparing amounts to the Company's accounting records and testing the tax effects of the sale. To test the allocation of goodwill between the I&A and IoT business lines, we involved our valuation specialists to evaluate the reasonableness of the Company's valuation methodology and significant assumptions used to allocate goodwill. For example, we compared the significant assumptions used by the Company to current market and economic trends, to the assumptions used to value similar assets in other relevant divestitures, and to the historical results of the Company. We performed procedures to audit the presentation of discontinued operations in the financial statements, including testing the recast prior period financial statements and assessing the reasonableness of key judgments applied by management in allocating expenses to the discontinued operations.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 1996.  
Austin, Texas  
February 2, 2022

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## **Report of Independent Registered Public Accounting Firm**

### **The Board of Directors and Stockholders of Silicon Laboratories Inc.**

#### **Opinion on Internal Control Over Financial Reporting**

We have audited Silicon Laboratories Inc.'s internal control over financial reporting as of January 1, 2022, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Silicon Laboratories Inc. (the Company) maintained, in all material respects, effective internal control over financial reporting as of January 1, 2022, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of Silicon Laboratories Inc. as of January 1, 2022 and January 2, 2021, the related consolidated statements of income, comprehensive income, changes in stockholders' equity and cash flows for each of the three years in the period ended January 1, 2022, and the related notes and our report dated February 2, 2022 expressed an unqualified opinion thereon.

#### **Basis for Opinion**

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

#### **Definition and Limitations of Internal Control Over Financial Reporting**

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

Austin, Texas  
February 2, 2022

**Silicon Laboratories Inc.**  
**Consolidated Balance Sheets**  
(In thousands, except per share data)

	January 1, 2022	January 2, 2021
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 1,074,623	\$ 202,720
Short-term investments	964,582	521,963
Accounts receivable, net	98,313	95,169
Inventories	49,307	47,861
Prepaid expenses and other current assets	51,748	87,103
Current assets of discontinued operations	—	21,005
Total current assets	2,238,573	975,821
Property and equipment, net	146,516	135,803
Goodwill	376,389	376,389
Other intangible assets, net	118,978	163,483
Other assets, net	77,839	76,675
Non-current assets of discontinued operations	—	265,316
Total assets	<u>\$ 2,958,295</u>	<u>\$ 1,993,487</u>
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 47,327	\$ 54,949
Current portion of convertible debt, net	450,599	134,480
Deferred revenue and returns liability	13,849	12,986
Other current liabilities	157,052	81,650
Current liabilities of discontinued operations	—	433
Total current liabilities	668,827	284,498
Convertible debt, net	—	428,945
Other non-current liabilities	77,044	79,752
Non-current liabilities of discontinued operations	—	451
Total liabilities	745,871	793,646
Commitments and contingencies		
Stockholders' equity:		
Preferred stock – \$0.0001 par value; 10,000 shares authorized; no shares issued	—	—
Common stock – \$0.0001 par value; 250,000 shares authorized; 38,481 and 43,925 shares issued and outstanding at January 1, 2022 and January 2, 2021, respectively	4	4
Additional paid-in capital	—	204,359
Retained earnings	2,214,839	993,664
Accumulated other comprehensive income (loss)	(2,419)	1,814
Total stockholders' equity	2,212,424	1,199,841
Total liabilities and stockholders' equity	<u>\$ 2,958,295</u>	<u>\$ 1,993,487</u>

*The accompanying notes are an integral part of these Consolidated Financial Statements.*

**Silicon Laboratories Inc.**  
**Consolidated Statements of Income**  
(In thousands, except per share data)

	Year Ended		
	January 1, 2022	January 2, 2021	December 28, 2019
Revenues	\$ 720,860	\$ 510,928	\$ 473,785
Cost of revenues	295,468	216,083	193,571
Gross profit	425,392	294,845	280,214
Operating expenses:			
Research and development	273,208	235,185	205,690
Selling, general and administrative	185,022	166,748	163,167
Operating expenses	458,230	401,933	368,857
Operating loss	(32,838)	(107,088)	(88,643)
Other income (expense):			
Interest income and other, net	5,696	9,027	12,865
Interest expense	(31,033)	(34,142)	(20,233)
Loss from continuing operations before income taxes	(58,175)	(132,203)	(96,011)
Provision (benefit) for income taxes	13,427	(14,602)	6,984
Equity-method earnings	13,728	2,116	320
Loss from continuing operations	(57,874)	(115,485)	(102,675)
Income from discontinued operations, net of income taxes	2,175,273	128,016	121,940
Net income	<u>\$ 2,117,399</u>	<u>\$ 12,531</u>	<u>\$ 19,265</u>
Basic earnings (loss) per share:			
Continuing operations	\$ (1.35)	\$ (2.64)	\$ (2.37)
Net income	\$ 49.44	\$ 0.29	\$ 0.44
Diluted earnings (loss) per share:			
Continuing operations	\$ (1.35)	\$ (2.64)	\$ (2.37)
Net income	\$ 47.78	\$ 0.28	\$ 0.43
Weighted-average common shares outstanding:			
Basic	42,830	43,775	43,346
Diluted	44,315	44,372	44,290

*The accompanying notes are an integral part of these Consolidated Financial Statements.*

**Silicon Laboratories Inc.**  
**Consolidated Statements of Comprehensive Income**  
(In thousands)

	Year Ended		
	January 1, 2022	January 2, 2021	December 28, 2019
Net income	\$ 2,117,399	\$ 12,531	\$ 19,265
Other comprehensive income (loss), before tax:			
Net changes to available-for-sale securities:			
Unrealized gains (losses) arising during the period	(4,338)	1,131	2,564
Reclassification for gains included in net income	(335)	(510)	(218)
Net changes to cash flow hedges:			
Unrealized gains (losses) arising during the period	(598)	33	(321)
Reclassification for (gains) losses included in net income	(87)	825	784
Other comprehensive income (loss), before tax	(5,358)	1,479	2,809
Provision (benefit) for income taxes	(1,125)	311	589
Other comprehensive income (loss)	(4,233)	1,168	2,220
Comprehensive income	<u>\$ 2,113,166</u>	<u>\$ 13,699</u>	<u>\$ 21,485</u>

*The accompanying notes are an integral part of these Consolidated Financial Statements.*

**Silicon Laboratories Inc.**  
**Consolidated Statements of Changes in Stockholders' Equity**  
(In thousands)

	<u>Shares</u>	<u>Common Stock</u>	<u>Additional Paid-In Capital</u>	<u>Retained Earnings</u>	<u>Accumulated Other Comprehensive Income (Loss)</u>	<u>Total Stockholders' Equity</u>
Balance as of December 29, 2018	43,088	\$ 4	\$ 107,517	\$ 961,343	\$ (1,574)	\$ 1,067,290
Net income	—	—	—	19,265	—	19,265
Other comprehensive income	—	—	—	—	2,220	2,220
Stock issuances, net of shares withheld for taxes	709	—	(1,799)	—	—	(1,799)
Repurchases of common stock	(301)	—	(26,716)	—	—	(26,716)
Stock-based compensation	—	—	54,791	—	—	54,791
Balance as of December 28, 2019	43,496	4	133,793	980,608	646	1,115,051
Cumulative effect of adoption of accounting standard	—	—	—	525	—	525
Net income	—	—	—	12,531	—	12,531
Other comprehensive income	—	—	—	—	1,168	1,168
Stock issuances, net of shares withheld for taxes	639	—	(3,109)	—	—	(3,109)
Repurchases of common stock	(210)	—	(16,287)	—	—	(16,287)
Stock-based compensation	—	—	60,065	—	—	60,065
Convertible debt activity	—	—	29,897	—	—	29,897
Balance as of January 2, 2021	43,925	4	204,359	993,664	1,814	1,199,841
Net income	—	—	—	2,117,399	—	2,117,399
Other comprehensive loss	—	—	—	—	(4,233)	(4,233)
Stock issuances, net of shares withheld for taxes	548	—	(8,056)	—	—	(8,056)
Repurchases of common stock	(6,520)	—	(253,820)	(896,224)	—	(1,150,044)
Stock-based compensation	—	—	58,264	—	—	58,264
Convertible debt activity	528	—	(747)	—	—	(747)
Balance as of January 1, 2022	<u>38,481</u>	<u>\$ 4</u>	<u>\$ —</u>	<u>\$2,214,839</u>	<u>\$ (2,419)</u>	<u>\$ 2,212,424</u>

*The accompanying notes are an integral part of these Consolidated Financial Statements.*



**Silicon Laboratories Inc.**  
**Consolidated Statements of Cash Flows**  
(In thousands)

	Year Ended		
	January 1, 2022	January 2, 2021	December 28, 2019
<b>Operating Activities</b>			
Net income	\$ 2,117,399	\$ 12,531	\$ 19,265
Adjustments to reconcile net income to cash provided by (used in) operating activities of continuing operations:			
Income from discontinued operations, net of income taxes	(2,175,273)	(128,016)	(121,940)
Depreciation of property and equipment	18,051	16,267	15,193
Amortization of other intangible assets	44,505	42,569	37,734
Amortization of debt discount and debt issuance costs	22,767	21,433	13,485
Loss on extinguishment of convertible debt	3,370	4,060	—
Stock-based compensation expense	56,842	49,454	44,334
Equity-method earnings	(13,728)	(2,116)	(320)
Deferred income taxes	(3,414)	(6,533)	23,048
Changes in operating assets and liabilities:			
Accounts receivable	(3,144)	(17,612)	(2,401)
Inventories	(1,510)	9,148	(4,203)
Prepaid expenses and other assets	44,664	(50,664)	6,970
Accounts payable	(7,704)	15,263	7,830
Other current liabilities and income taxes	2,109	3,215	(6,867)
Deferred revenue and returns liability	863	(6,694)	(3,243)
Other non-current liabilities	(14,599)	28,856	(6,708)
Net cash provided by (used in) operating activities of continuing operations	91,198	(8,839)	22,177
<b>Investing Activities</b>			
Purchases of marketable securities	(1,541,971)	(519,567)	(424,524)
Sales and maturities of marketable securities	1,095,041	497,357	344,937
Purchases of property and equipment	(28,577)	(18,088)	(15,300)
Purchases of other assets	(1,158)	(1,210)	(7,926)
Acquisitions of businesses, net of cash acquired	—	(316,809)	—
Net cash used in investing activities of continuing operations	(476,665)	(358,317)	(102,813)
<b>Financing Activities</b>			
Proceeds from issuance of debt	—	845,000	—
Payments on debt	(140,572)	(624,737)	(1,132)
Repurchases of common stock	(1,150,044)	(16,287)	(26,716)
Payment of taxes withheld for vested stock awards	(22,239)	(18,124)	(16,295)
Proceeds from the issuance of common stock	14,183	15,015	14,496
Net cash provided by (used in) financing activities of continuing operations	(1,298,672)	200,867	(29,647)
<b>Discontinued Operations</b>			
Operating activities	(191,642)	144,557	144,345
Investing activities	2,747,684	(2,694)	(3,959)
Net cash provided by discontinued operations	2,556,042	141,863	140,386
Increase (decrease) in cash and cash equivalents	871,903	(24,426)	30,103
Cash and cash equivalents at beginning of period	202,720	227,146	197,043
Cash and cash equivalents at end of period	<u>\$ 1,074,623</u>	<u>\$ 202,720</u>	<u>\$ 227,146</u>
<b>Supplemental Disclosure of Cash Flow Information:</b>			
Interest paid	<u>\$ 5,010</u>	<u>\$ 8,662</u>	<u>\$ 6,367</u>
Income taxes paid	<u>\$ 266,277</u>	<u>\$ 7,217</u>	<u>\$ 10,291</u>

*The accompanying notes are an integral part of these Consolidated Financial Statements.*

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**Silicon Laboratories Inc.**  
**Notes to Consolidated Financial Statements**  
**January 1, 2022**

**1. Description of Business**

Silicon Laboratories Inc. (the “Company”), a Delaware corporation, is a leader in secure, intelligent wireless technology for a more connected world. Our integrated hardware and software platform, intuitive development tools, industry leading ecosystem and robust support enable customers in building advanced industrial, commercial, home and life applications. The Company provides analog-intensive, mixed-signal solutions for use in a variety of electronic products in a broad range of applications for the Internet of Things (IoT) including connected home and security, industrial automation and control, smart metering, smart lighting, commercial building automation, consumer electronics, asset tracking and medical instrumentation. Within the semiconductor industry, the Company is known as a “fabless” company meaning that the integrated circuits (ICs) incorporated in its products are manufactured by third-party foundry semiconductor companies.

On April 22, 2021, the Company entered into an Asset Purchase Agreement pursuant to which Skyworks Solutions, Inc. agreed to acquire certain assets, rights, and properties, and assume certain liabilities, comprising the Company’s infrastructure and automotive business for \$2.75 billion in cash. The transaction closed on July 26, 2021. The financial results of the infrastructure and automotive business have been presented as discontinued operations in the Consolidated Financial Statements because the sale represented a strategic shift for the Company. Prior period financial statements have been reclassified to reflect these changes for all periods presented. See Note 3, *Discontinued Operations*, for additional information. Unless indicated otherwise, the information in the Notes to the Consolidated Financial Statements relates to the Company’s continuing operations and does not include the results of discontinued operations.

**Silicon Laboratories Inc.**  
**Notes to Consolidated Financial Statements (Continued)**  
**January 1, 2022**

**2. Significant Accounting Policies**

*Basis of Presentation and Principles of Consolidation*

The Company prepares financial statements on a 52- or 53-week fiscal year that ends on the Saturday closest to December 31. Fiscal 2021 had 52 weeks. Fiscal 2020 had 53 weeks with the extra week occurring in the first quarter of the year. Fiscal 2019 had 52 weeks. Fiscal 2021, 2020 and 2019 ended on January 1, 2022, January 2, 2021 and December 28, 2019, respectively. The accompanying Consolidated Financial Statements include the accounts of the Company and its wholly owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

*Foreign Currency Transactions*

The Company's foreign subsidiaries are considered to be extensions of the U.S. Company. The functional currency of the foreign subsidiaries is the U.S. dollar. Accordingly, gains and losses resulting from remeasuring transactions denominated in currencies other than U.S. dollars are included in interest income and other, net in the Consolidated Statements of Income.

*Use of Estimates*

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Among the significant estimates affecting the financial statements are those related to inventories, goodwill, acquired intangible assets, other long-lived assets, revenue recognition, stock-based compensation and income taxes. Actual results could differ from those estimates, and such differences could be material to the financial statements.

*Fair Value of Financial Instruments*

The fair values of the Company's financial instruments are recorded using a hierarchical disclosure framework based upon the level of subjectivity of the inputs used in measuring assets and liabilities. The three levels are described below:

Level 1 - Inputs are unadjusted, quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 2 - Inputs other than Level 1 that are directly or indirectly observable, such as quoted prices for similar assets or liabilities and quoted prices in less active markets.

Level 3 - Inputs are unobservable for the asset or liability and are developed based on the best information available in the circumstances, which might include the Company's own data.

**Silicon Laboratories Inc.**  
**Notes to Consolidated Financial Statements (Continued)**  
**January 1, 2022**

**2. Significant Accounting Policies (Continued)**

*Cash and Cash Equivalents*

Cash and cash equivalents consist of cash deposits, certificates of deposit, money market funds and investments in debt securities with original maturities of ninety days or less when purchased.

*Investments*

The Company's investments typically have original maturities greater than ninety days as of the date of purchase and are classified as either available-for-sale or trading securities. Investments in available-for-sale securities are reported at fair value, with unrealized gains and losses, net of tax, recorded as a component of accumulated other comprehensive income (loss) in the Consolidated Balance Sheet. Investments in trading securities are reported at fair value, with both realized and unrealized gains and losses recorded in interest income and other, net in the Consolidated Statement of Income. Investments in which the Company has the ability and intent, if necessary, to liquidate in order to support its current operations (including those with contractual maturities greater than one year from the date of purchase) are classified as short-term.

The Company reviews its available-for-sale investments as of the end of each reporting period for declines in fair value based on the specific identification method. The Company records an allowance for credit loss when a decline in fair value is due to credit-related factors. The Company considers various factors in determining whether an investment is impaired, including the severity of the impairment, changes in underlying credit ratings, forecasted recovery, its intent to sell or the likelihood that it would be required to sell the investment before its anticipated recovery in market value and the probability that the scheduled cash payments will continue to be made. When the Company concludes that a credit-related impairment has occurred, the Company assesses whether it intends to sell the security or if it is more likely than not that it will be required to sell the security before recovery. If either of these two conditions is met, the Company recognizes a charge in earnings equal to the entire difference between the security's amortized cost basis and its fair value. If the Company does not intend to sell a security and it is not more likely than not that it will be required to sell the security before recovery, the unrealized loss is separated into an amount representing the credit loss, which is recognized in earnings, and the amount related to all other factors, which is recorded in accumulated other comprehensive income (loss).

In addition, the Company has made equity investments in non-publicly traded companies. Equity investments in which the Company does not have control, but has the ability to exercise significant influence over operating and financial policies, are accounted for using the equity method. The Company's proportionate share of income or loss is recorded in equity-method earnings in the Consolidated Statements of Income. The Company has elected to use the measurement alternative under ASU 2019-04 to value non-marketable equity investments that do not have readily determinable fair values. Under the alternative, these non-marketable equity investments are recorded at cost minus impairment, if any, plus or minus changes resulting from qualifying observable price changes of the same or similar securities in observable transactions. The Company periodically reviews its equity investments for declines in fair value based on the specific identification method and writes down investments to their estimated fair values when it determines that a decline has occurred.

*Derivative Financial Instruments*

The Company uses derivative financial instruments to manage certain exposures to the variability of foreign currency exchange rates. The Company's objective is to offset increases and decreases in expenses resulting from these exposures with gains and losses on the derivative contracts, thereby reducing volatility of earnings. The Company does not use derivative contracts for speculative or trading purposes. The Company recognizes derivatives, on a gross basis, in the Consolidated Balance Sheet at fair value. Cash flows from derivatives are classified according to the nature of the cash receipt or payment in the Consolidated Statement of Cash Flows.

The Company also uses foreign currency forward contracts to reduce the earnings impact that exchange rate fluctuations have on non-U.S. dollar balance sheet exposures. The Company does not apply hedge accounting to these foreign currency forward contracts.

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**Silicon Laboratories Inc.**  
**Notes to Consolidated Financial Statements (Continued)**  
**January 1, 2022**

**2. Significant Accounting Policies (Continued)**

*Inventories*

Inventories are stated at the lower of cost, determined using the first-in, first-out method, or net realizable value. The Company writes down the carrying value of inventory to net realizable value for estimated obsolescence or unmarketable inventory based upon assumptions about the age of inventory, future demand and market conditions. Inventory impairment charges establish a new cost basis for inventory and charges are not subsequently reversed to income even if circumstances later suggest that increased carrying amounts are recoverable.

*Property and Equipment*

Property and equipment are stated at cost, net of accumulated depreciation. Depreciation is computed using the straight-line method over the useful lives of the assets ranging from three to fifteen years. Leasehold improvements are depreciated over the lease term or their useful life, whichever is shorter.

The Company owns the facilities for its headquarters in Austin, Texas. The buildings are located on land which is leased through 2099 from a third party. The rents for these ground leases were prepaid for the term of the leases. The buildings and leasehold interest in ground leases are being depreciated on a straight-line basis over their estimated useful lives of 40 years and 86 years, respectively.

*Business Combinations*

The Company records business combinations using the acquisition method of accounting and, accordingly, allocates the fair value of acquisition consideration to the assets acquired and liabilities assumed based on their fair values at the acquisition date. The excess of the fair value of purchase consideration over the fair value of the assets acquired and liabilities assumed is recorded as goodwill. The results of operations of the businesses acquired are included in the Company's consolidated results of operations beginning on the date of the acquisition.

*Long-Lived Assets*

Purchased intangible assets are stated at cost, net of accumulated amortization, and are amortized using the straight-line method over their estimated useful lives, ranging from two to twelve years. Fair values are determined primarily using the income approach, in which the Company projects future expected cash flows and applies an appropriate discount rate.

Long-lived assets "held and used" by the Company are reviewed for impairment whenever events or changes in circumstances indicate that their net book value may not be recoverable. When such factors and circumstances exist, the Company compares the projected undiscounted future cash flows associated with the related asset or group of assets over their estimated useful lives against their respective carrying amounts. Impairment, if any, is based on the excess of the carrying amount over the fair value of those assets and is recorded in the period in which the determination was made.

The Company tests goodwill for impairment annually as of the first day of its fourth fiscal quarter and in interim periods if events occur that would indicate that the carrying value of goodwill may be impaired. The Company assesses goodwill for impairment by comparing the fair value of the reporting unit to its carrying amount. In determining fair value, several valuation methodologies are allowed, although quoted market prices are the best evidence of fair value. If the fair value of the reporting unit is less than its carrying amount, an impairment loss is recognized equal to that excess amount.

**Silicon Laboratories Inc.**  
**Notes to Consolidated Financial Statements (Continued)**  
**January 1, 2022**

**2. Significant Accounting Policies (Continued)**

*Leases*

At the commencement date of a lease, the Company recognizes a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. The lease liability is measured at the present value of lease payments over the lease term. As its leases typically do not provide an implicit rate, the Company uses its incremental borrowing rate based on the information available at the commencement date taking into consideration necessary adjustments for collateral, depending on the facts and circumstances of the lessee and the leased asset, and term to match the lease term. The right-of-use (“ROU”) asset is measured at cost, which includes the initial measurement of the lease liability and initial direct costs incurred by the Company and excludes lease incentives. Lease liabilities are recorded in other current liabilities and other non-current liabilities. ROU assets are recorded in other assets, net.

Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. Operating lease costs are recognized on a straight-line basis over the lease term. Lease agreements that contain both lease and non-lease components are generally accounted for separately.

*Revenue Recognition*

Revenue is recognized when control of the promised goods or services is transferred to the customer, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those goods or services. Substantially all of the Company’s contracts with customers contain a single performance obligation, the sale of mixed-signal integrated circuit (IC) products. This performance obligation is satisfied when control of the product is transferred to the customer, which typically occurs upon delivery. Unsatisfied performance obligations primarily represent contracts for products with future delivery dates. The Company has opted to not disclose the amount of unsatisfied performance obligations as these contracts have original expected durations of less than one year.

The transaction price reflects the Company’s expectations about the consideration it will be entitled to receive from the customer and may include fixed or variable amounts. Variable consideration primarily includes sales made to distributors under agreements allowing certain rights of return, referred to as stock rotation, and credits issued to the distributor due to price protection. The Company estimates variable consideration at the most likely amount to which it expects to be entitled. The estimate is based on information available to the Company, including recent sales activity and pricing data. The Company applies a constraint to its variable consideration estimate which considers both the likelihood of a return and the amount of a potential price concession. Variable consideration that does not meet revenue recognition criteria is deferred. The Company records a right of return asset in prepaid expenses and other current assets for the costs of distributor inventory not meeting revenue recognition criteria. A corresponding deferred revenue and returns liability amount is recorded for unrecognized revenue associated with such costs. The Company’s products carry a one-year replacement warranty. Payments are typically due within 30 days of invoicing and do not include a significant financing component.

*Shipping and Handling*

Shipping and handling costs are classified as a component of cost of revenues in the Consolidated Statements of Income.

*Stock-Based Compensation*

The Company has stock-based compensation plans, which are more fully described in Note 16, *Stock-Based Compensation*. The Company accounts for those plans using a fair-value method and recognizes the expense in its Consolidated Statement of Income.

*Research and Development*

Research and development costs are expensed as incurred. Research and development expense consists primarily of personnel-related expenses, including stock-based compensation, as well as new product masks, external consulting and services costs, equipment tooling, equipment depreciation, amortization of intangible assets, and an allocated portion of our occupancy costs. Assets purchased to support the Company’s ongoing research and



development activities are capitalized when related to products which have achieved technological feasibility or have an alternative future use, and are amortized over their estimated useful lives.

**Silicon Laboratories Inc.**  
**Notes to Consolidated Financial Statements (Continued)**  
**January 1, 2022**

**2. Significant Accounting Policies (Continued)**

*Advertising*

Advertising costs are expensed as incurred. Advertising expenses were not material for any of the periods presented.

*Income Taxes*

The Company accounts for income taxes using the liability method whereby deferred tax asset and liability account balances are determined based on differences between the financial reporting and the tax bases of assets and liabilities and are measured using the enacted tax laws and related rates that will be in effect when the differences are expected to reverse. These differences result in deferred tax assets and liabilities, which are included in the Company's Consolidated Balance Sheets. The Company then assesses the likelihood that the deferred tax assets will be realized. A valuation allowance is established against deferred tax assets to the extent the Company believes that it is more likely than not that the deferred tax assets will not be realized, taking into consideration the level of historical taxable income and projections for future taxable income over the periods in which the temporary differences are deductible.

Uncertain tax positions must meet a more-likely-than-not threshold to be recognized in the financial statements and the tax benefits recognized are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon final settlement. See Note 18, *Income Taxes*, for additional information.

*Recent Accounting Pronouncements*

In August 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2020-06, *Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40)*. This ASU simplifies the accounting for certain convertible instruments, amends the guidance on derivative scope exceptions for contracts in an entity's own equity and requires the use of the if-converted method for calculating diluted earnings per share. The ASU removes separation models for convertible debt with a cash conversion feature. Such convertible instruments will be accounted for as a single liability measured at amortized cost, as long as no other features require bifurcation and recognition as derivatives. This ASU is effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. The Company will elect the modified retrospective transition method to account for the impact of the adoption with a cumulative-effect adjustment to the opening balance of retained earnings at the date of adoption. The Company expects the primary impacts of this new standard will be to increase the carrying value of its convertible debt by approximately \$78.5 million, with an offsetting reduction in stockholders' equity, and reduce its reported interest expense. In addition, should the Company be required to use the if-converted method for calculating diluted earnings per share, the number of shares used in such calculation could potentially increase. On January 2, 2022, the Company irrevocably elected cash settlement for the principal amount of its convertible senior notes. The Company intends to settle any excess value in shares in the event of a conversion.

**Silicon Laboratories Inc.**  
**Notes to Consolidated Financial Statements (Continued)**  
**January 1, 2022**

### 3. Discontinued Operations

On April 22, 2021, the Company entered into an Asset Purchase Agreement pursuant to which Skyworks Solutions, Inc. agreed to acquire certain assets, rights, and properties, and assume certain liabilities, comprising the Company's infrastructure and automotive business for \$2.75 billion in cash. The Company believes the sale accelerates its IoT market leadership and growth, making it a pure-play leader of intelligent, wireless connectivity for the IoT. The transaction closed on July 26, 2021. The financial results of the infrastructure and automotive business, which are readily distinguishable from other components of the Company, have been presented as discontinued operations in the Consolidated Financial Statements because the sale represented a strategic shift for the Company.

The following table presents the financial results of the infrastructure and automotive business (the "discontinued operations") in the Company's Consolidated Statements of Income (In thousands, except per share data):

	Year Ended		
	January 1, 2022	January 2, 2021	December 28, 2019
Revenues	\$ 233,918	\$375,749	\$ 363,770
Costs of revenues	95,457	143,068	133,700
Operating expenses	46,643	87,293	84,730
Operating income from discontinued operations	91,818	145,388	145,340
Gain on sale of discontinued operations	2,423,161	—	—
Income from discontinued operations before income taxes	2,514,979	145,388	145,340
Provision for income taxes	339,706	17,372	23,400
Income from discontinued operations	<u>\$2,175,273</u>	<u>\$128,016</u>	<u>\$ 121,940</u>
Income from discontinued operations per share:			
Basic	\$ 50.79	\$ 2.92	\$ 2.81
Diluted	\$ 49.09	\$ 2.89	\$ 2.75

The following table summarizes the assets and liabilities of the discontinued operations (in thousands):

	January 2, 2021
<b>Assets</b>	
Inventories	\$ 18,801
Prepaid expenses and other current assets	2,204
Goodwill	255,543
Other assets	9,773
Total assets	<u>\$ 286,321</u>
<b>Liabilities</b>	
Other current liabilities	\$ 433
Other non-current liabilities	451
Total liabilities	<u>\$ 884</u>

#### Continuing Involvement

In connection with the closing of the sale, the Company entered into certain ancillary agreements with Skyworks, including a Transition Services Agreement ("TSA"). Through the TSA, the Company has subleased certain premises to Skyworks and will provide or provides various temporary support services for three to eighteen months, depending on the service provided. Although the services provided under the TSA will generate continuing cash flows between the Company and Skyworks for the duration of the TSA, the amounts are not expected to be material to the ongoing operations of either entity. In addition, the Company has no contractual ability through the TSA or any other agreement to significantly influence the operating or financial policies of Skyworks. The TSA fees were approximately \$4.2 million for fiscal 2021.

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**Silicon Laboratories Inc.**  
**Notes to Consolidated Financial Statements (Continued)**  
**January 1, 2022**

**4. Earnings Per Share**

The following table sets forth the computation of basic and diluted earnings per share (in thousands, except per share data):

	Year Ended		
	January 1, 2022	January 2, 2021	December 28, 2019
Loss from continuing operations	<u>\$ (57,874)</u>	<u>\$(115,485)</u>	<u>\$ (102,675)</u>
Shares used in computing basic loss per share	42,830	43,775	43,346
Effect of dilutive securities:			
Stock-based awards and convertible debt	—	—	—
Shares used in computing diluted loss per share	<u>42,830</u>	<u>43,775</u>	<u>43,346</u>
Loss per share:			
Basic	\$ (1.35)	\$ (2.64)	\$ (2.37)
Diluted	\$ (1.35)	\$ (2.64)	\$ (2.37)

Diluted shares for fiscal 2021, 2020 and 2019 excluded 1.5 million, 0.6 million and 0.9 million shares, respectively, due to the Company's loss from continuing operations for the periods.

The Company intends to settle the principal amount of its convertible senior notes in cash and any excess value in shares in the event of a conversion. Accordingly, shares issuable upon conversion of the principal amount using the treasury stock method have been excluded from the calculation of diluted earnings per share. If the market value of the notes under certain prescribed conditions exceeds the conversion amount, the excess is included in the denominator for the computation of diluted earnings per share using the treasury stock method. For fiscal 2021, 2020 and 2019 approximately 1.0 million shares, 0.2 million shares and 0.4 million shares, respectively, were included in the denominator for the calculation of diluted earnings per share from net income. See Note 11, *Debt*, to the Consolidated Financial Statements for additional information.

**Silicon Laboratories Inc.**  
**Notes to Consolidated Financial Statements (Continued)**  
**January 1, 2022**

**5. Fair Value of Financial Instruments**

The following summarizes the valuation of the Company's financial instruments (in thousands). The tables do not include either cash on hand or assets and liabilities that are measured at historical cost or any basis other than fair value.

Description	Fair Value Measurements at January 1, 2022 Using			Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
<b>Assets:</b>				
<b>Cash equivalents:</b>				
Money market funds	\$ 845,740	\$ —	\$ —	\$ 845,740
Corporate debt securities	—	3,552	—	3,552
Government debt securities	—	2,950	—	2,950
Total cash equivalents	\$ 845,740	\$ 6,502	\$ —	\$ 852,242
<b>Short-term investments:</b>				
Government debt securities	\$ 71,509	\$ 119,612	\$ —	\$ 191,121
Corporate debt securities	—	773,461	—	773,461
Total short-term investments	\$ 71,509	\$ 893,073	\$ —	\$ 964,582
<b>Other assets, net:</b>				
Auction rate securities	\$ —	\$ —	\$ 4,980	\$ 4,980
Total	\$ —	\$ —	\$ 4,980	\$ 4,980
<b>Total</b>	<b>\$ 917,249</b>	<b>\$ 899,575</b>	<b>\$ 4,980</b>	<b>\$1,821,804</b>

Description	Fair Value Measurements at January 2, 2021 Using			Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
<b>Assets:</b>				
<b>Cash equivalents:</b>				
Money market funds	\$ 75,606	\$ —	\$ —	\$ 75,606
Corporate debt securities	—	14,995	—	14,995
Government debt securities	2,355	2,564	—	4,919
Total cash equivalents	\$ 77,961	\$ 17,559	\$ —	\$ 95,520
<b>Short-term investments:</b>				
Government debt securities	\$ 38,461	\$ 104,112	\$ —	\$ 142,573
Corporate debt securities	—	379,390	—	379,390
Total short-term investments	\$ 38,461	\$ 483,502	\$ —	\$ 521,963
<b>Other assets, net:</b>				
Auction rate securities	\$ —	\$ —	\$ 5,340	\$ 5,340
Total	\$ —	\$ —	\$ 5,340	\$ 5,340
<b>Total</b>	<b>\$ 116,422</b>	<b>\$ 501,061</b>	<b>\$ 5,340</b>	<b>\$ 622,823</b>

**Silicon Laboratories Inc.**  
**Notes to Consolidated Financial Statements (Continued)**  
**January 1, 2022**

**5. Fair Value of Financial Instruments (Continued)**

Valuation methodology

The Company's cash equivalents and short-term investments that are classified as Level 2 are valued using non-binding market consensus prices that are corroborated with observable market data; quoted market prices for similar instruments in active markets; quoted prices in less active markets; or pricing models, such as a discounted cash flow model, with all significant inputs derived from or corroborated with observable market data. Investments classified as Level 3 are valued using a discounted cash flow model. The assumptions used in preparing the discounted cash flow model include estimates for interest rates, amount of cash flows, expected holding periods of the securities and a discount to reflect the Company's inability to liquidate the securities. The Company's derivative instruments are valued using discounted cash flow models. The assumptions used in preparing the valuation models include foreign exchange rates, forward and spot prices for currencies and market observable data of similar instruments.

Contractual maturities of investments

The Company's investments are reported at fair value, with unrealized gains and losses, net of tax, recorded as a component of accumulated other comprehensive income (loss) in the Consolidated Balance Sheet. The following summarizes the contractual underlying maturities of the Company's available-for-sale investments at January 1, 2022 (in thousands):

	Cost	Fair Value
Due in one year or less	\$578,734	\$578,666
Due after one year through ten years	394,391	392,417
Due after ten years	6,000	4,980
	<u>\$979,125</u>	<u>\$976,063</u>

Available-for-sale investments

The available-for-sale investments that were in a continuous unrealized loss position, aggregated by length of time that individual securities have been in a continuous loss position, were as follows (in thousands):

	<u>Less Than 12 Months</u>		<u>12 Months or Greater</u>		<u>Total</u>	
<u>As of January 1, 2022</u>	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Government debt securities	\$126,957	\$ (750)	\$ —	\$ —	\$126,957	\$ (750)
Corporate debt securities	418,917	(1,451)	326	(1)	419,243	(1,452)
Auction rate securities	—	—	4,980	(1,020)	4,980	(1,020)
	<u>\$545,874</u>	<u>\$ (2,201)</u>	<u>\$ 5,306</u>	<u>\$ (1,021)</u>	<u>\$551,180</u>	<u>\$ (3,222)</u>

	<u>Less Than 12 Months</u>		<u>12 Months or Greater</u>		<u>Total</u>	
<u>As of January 2, 2021</u>	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Government debt securities	\$10,146	\$ (5)	\$ —	\$ —	\$10,146	\$ (5)
Corporate debt securities	51,909	(74)	—	—	51,909	(74)
Auction rate securities	—	—	5,340	(660)	5,340	(660)
	<u>\$62,055</u>	<u>\$ (79)</u>	<u>\$ 5,340</u>	<u>\$ (660)</u>	<u>\$67,395</u>	<u>\$ (739)</u>

The gross unrealized losses as of January 1, 2022 and January 2, 2021 were due primarily to changes in market interest rates and the illiquidity of the Company's auction-rate securities. The Company's auction-rate securities have been illiquid since 2008 when auctions for the securities failed because sell orders exceeded buy orders. These securities have a contractual maturity date of 2046. The Company is unable to predict if these funds will become available before their maturity date.

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**Silicon Laboratories Inc.**  
**Notes to Consolidated Financial Statements (Continued)**  
**January 1, 2022**

**5. Fair Value of Financial Instruments (Continued)**

The Company records an allowance for credit loss when a decline in investment market value is due to credit-related factors. When evaluating an investment for impairment, the Company reviews factors such as the severity of the impairment, changes in underlying credit ratings, forecasted recovery, the Company's intent to sell or the likelihood that it would be required to sell the investment before its anticipated recovery in market value and the probability that the scheduled cash payments will continue to be made. As of January 1, 2022, there were no material declines in the market value of available-for-sale investments due to credit-related factors.

At January 1, 2022 and January 2, 2021, there were no material unrealized gains associated with the Company's available-for-sale investments.

Level 3 fair value measurements

The following summarizes quantitative information about Level 3 fair value measurements.

Auction rate securities

Fair Value at January 1, 2022 (000s)	Valuation Technique	Unobservable Input	Weighted Average
\$ 4,980	Discounted cash flow	Estimated yield	1.07%
		Expected holding period	10 years
		Estimated discount rate	2.45%

Significant changes in any of the unobservable inputs used in the fair value measurement of auction rate securities in isolation could result in a significantly lower or higher fair value measurement. An increase in expected yield would result in a higher fair value measurement, whereas an increase in expected holding period or estimated discount rate would result in a lower fair value measurement. Generally, a change in the assumptions used for expected holding period is accompanied by a directionally similar change in the assumptions used for estimated yield and discount rate.

The following summarizes the activity in Level 3 financial instruments for the years ended January 1, 2022 and January 2, 2021 (in thousands):

Assets

	Year Ended	
	January 1, 2022	January 2, 2021
<b>Auction Rate Securities</b>		
Beginning balance	\$ 5,340	\$ 5,647
Losses included in other comprehensive income (loss)	(360)	(307)
Ending balance	<u>\$ 4,980</u>	<u>\$ 5,340</u>

The Company's debt is recorded at cost, but is measured at fair value for disclosure purposes. The fair value of the Company's convertible senior notes is determined using observable market prices. The notes are traded in less active markets and are therefore classified as a Level 2 fair value measurement. As of January 1, 2022 and January 2, 2021, the fair value of the 0.625% convertible senior notes due in 2025 was \$944.3 million and \$671.4 million, respectively.

The Company's other financial instruments, including cash, accounts receivable and accounts payable, are recorded at amounts that approximate their fair values due to their short maturities.

**Silicon Laboratories Inc.**  
**Notes to Consolidated Financial Statements (Continued)**  
**January 1, 2022**

**6. Derivative Financial Instruments**

The Company uses derivative financial instruments to manage certain exposures to the variability of foreign currency exchange rates. The Company's objective is to offset increases and decreases in expenses resulting from these exposures with gains and losses on the derivative contracts, thereby reducing volatility of earnings.

**Non-designated Hedges**

*Foreign Currency Forward Contracts*

The Company uses foreign currency forward contracts to reduce the earnings impact that exchange rate fluctuations have on non-U.S. dollar balance sheet exposures. The Company recognizes gains and losses on the foreign currency forward contracts in interest income and other, net in the Consolidated Statement of Income in the same period as the remeasurement loss and gain of the related foreign currency denominated asset or liability. The Company does not apply hedge accounting to these foreign currency forward contracts.

As of January 1, 2022, the Company held one foreign currency forward contract denominated in Singapore Dollars with a notional value of \$3.7 million, and two foreign currency forward contracts denominated in Indian Rupees with an aggregate notional value of \$7.4 million and one foreign currency forward contract denominated in the Hungarian Forint with a notional value of \$2.1 million. The fair value of foreign contracts and contract losses recognized in income were not material for any of the periods presented.

**Silicon Laboratories Inc.**  
**Notes to Consolidated Financial Statements (Continued)**  
**January 1, 2022**

**7. Supplemental Information**

The following tables show the details of selected Consolidated Balance Sheet items (in thousands):

*Inventories*

	January 1, 2022	January 2, 2021
Work in progress	\$ 36,078	\$ 41,747
Finished goods	13,229	6,114
	<u>\$ 49,307</u>	<u>\$ 47,861</u>

*Prepaid Expenses and Other Current Assets*

	January 1, 2022	January 2, 2021
Distributor advances	\$ 13,397	\$ 51,190
Other	38,351	35,913
	<u>\$ 51,748</u>	<u>\$ 87,103</u>

*Property and Equipment*

	January 1, 2022	January 2, 2021
Buildings and improvements	\$ 122,163	\$ 118,331
Equipment	48,876	39,378
Computers and purchased software	48,519	46,174
Leasehold interest in ground leases	23,840	23,840
Leasehold improvements	13,427	8,684
Furniture and fixtures	10,794	8,621
	267,619	245,028
Accumulated depreciation	(121,103)	(109,225)
	<u>\$ 146,516</u>	<u>\$ 135,803</u>

*Other Assets, net*

	January 1, 2022	January 2, 2021
Equity-method investment*	\$ 24,078	\$ 10,057
Other	53,761	66,618
	<u>\$ 77,839</u>	<u>\$ 76,675</u>

\*The Company holds an 8% equity interest in China Walden Venture Investments III, a limited partnership.

*Other Current Liabilities*

	January 1, 2022	January 2, 2021
Accrued compensation and benefits	\$ 42,008	\$ 46,633
Income taxes payable	73,771	5,797
Other	41,273	29,220
	<u>\$157,052</u>	<u>\$ 81,650</u>

**Silicon Laboratories Inc.**  
**Notes to Consolidated Financial Statements (Continued)**  
**January 1, 2022**

## **8. Risks and Uncertainties**

### *Financial Instruments*

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash equivalents, investments, accounts receivable, notes receivable and derivatives. The Company places its cash equivalents and investments primarily in municipal bonds, money market funds, corporate bonds, certificates of deposit, U.S. Treasury bills, U.S. government securities, agency securities, asset-back securities, commercial paper and auction-rate securities. Concentrations of credit risk with respect to accounts receivable are primarily due to customers with large outstanding balances. The Company's customers that accounted for greater than 10% of accounts receivable consisted of the following distributors:

	<b>January 1, 2022</b>	<b>January 2, 2021</b>
Arrow Electronics	28 %	28 %
Edom Technology	18 %	21 %

The Company performs periodic credit evaluations of its customers' financial condition and generally requires no collateral from its customers. The Company provides an allowance for expected credit losses based upon the net amount expected to be collected on such receivables. Losses have not been significant for any of the periods presented.

As a result of its use of derivative instruments, the Company is exposed to the risk that its counterparties will fail to meet their contractual obligations. To mitigate this counterparty credit risk, the Company has a policy to enter into contracts with only selected major financial institutions. The Company periodically reviews and re-assesses the creditworthiness of such counterparties based on a variety of factors.

### *Distributor Advances*

On sales to distributors, the Company's payment terms often require the distributor to initially pay amounts owed to the Company for an amount in excess of their ultimate cost. The Company's sales price to its distributors may be higher than the amount that the distributors will ultimately owe the Company because distributors often negotiate price reductions after purchasing the product from the Company and such reductions are often significant. These negotiated price discounts are not granted until the distributor sells the product to the end customer, which may occur after the distributor has paid the original invoice amount to the Company. Payment of invoices prior to receiving an associated discount can have an adverse impact on the working capital of the Company's distributors. Accordingly, the Company has entered into agreements with certain distributors whereby it advances cash to the distributors to reduce the distributor's working capital requirements. The advance amounts are based on the distributor's inventory balance, and are adjusted quarterly. Such amounts are recorded in prepaid expenses and other current assets in the Consolidated Balance Sheet. The terms of these advances are set forth in binding legal agreements and are unsecured, bear no interest on unsettled balances and are due upon demand. The agreements governing these advances can be cancelled by the Company at any time.

### *Suppliers*

A significant portion of the Company's products are fabricated by Taiwan Semiconductor Manufacturing Co. (TSMC) or Semiconductor Manufacturing International Corporation (SMIC). The inability of TSMC or SMIC to deliver wafers to the Company on a timely basis could impact the production of the Company's products for a substantial period of time, which could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

**Silicon Laboratories Inc.**  
**Notes to Consolidated Financial Statements (Continued)**  
**January 1, 2022**

## 8. Risks and Uncertainties (Continued)

### *Customers*

The Company sells directly to end customers, distributors and contract manufacturers. Although the Company actually sells the products to, and is paid by, distributors and contract manufacturers, the Company refers to the end customer as its customer. None of the Company's end customers accounted for greater than 10% of revenue during fiscal 2021, 2020 or 2019. The Company's distributors that accounted for greater than 10% of revenue consisted of the following:

	Year Ended		
	January 1, 2022	January 2, 2021	December 28, 2019
Arrow Electronics	28 %	28 %	26 %
Edom Technology	18 %	19 %	18 %
Sekorm	12 %	14 %	10 %

## 9. Acquisition

### *Redpine Signals*

On April 28, 2020, the Company acquired the Wi-Fi and Bluetooth business of Redpine Signals. The Company believes the acquisition will accelerate its roadmap for Wi-Fi and Bluetooth silicon and software solutions. The purchase price was in excess of the fair value of the net assets acquired and, as a result, the Company recorded goodwill. A portion of the goodwill is deductible for tax purposes. The purchase price was allocated as follows (in thousands):

	Amount	Weighted-Average Amortization Period (Years)
Intangible assets:		
In-process research and development	\$ 11,753	Not amortized
Developed technology	61,674	8
Customer relationships	2,450	2
Trademarks	661	2
	76,538	
Accounts receivable	1,395	
Inventory	4,375	
Other current assets	1,251	
Goodwill	233,530	
Other non-current assets	673	
Current liabilities	(856)	
Non-current liabilities	(97)	
Total purchase price	<u>\$316,809</u>	

Pro forma information related to this acquisition has not been presented because it would not be materially different from amounts reported. The Company recorded approximately \$1.5 million of acquisition-related costs in selling, general and administrative expenses during fiscal 2020.

**Silicon Laboratories Inc.**  
**Notes to Consolidated Financial Statements (Continued)**  
**January 1, 2022**

# 10. Goodwill and Other Intangible Assets

## Goodwill

The following summarizes the activity in goodwill for the years ended January 1, 2022 and January 2, 2021 (in thousands):

	Year Ended	
	January 1, 2022	January 2, 2021
Beginning balance	\$376,389	\$237,294
Additions due to business combinations	—	139,095
Ending balance	<u>\$376,389</u>	<u>\$376,389</u>

## Other Intangible Assets

The gross carrying amount and accumulated amortization of other intangible assets are as follows (in thousands):

	Weighted-Average Amortization Period (Years)	January 1, 2022		January 2, 2021	
		Gross Amount	Accumulated Amortization	Gross Amount	Accumulated Amortization
Subject to amortization:					
Developed technology	8	\$238,092	\$(124,337)	\$243,739	\$(109,417)
Customer relationships	4	27,450	(24,958)	41,270	(30,321)
Trademarks	5	11,471	(8,740)	12,771	(6,312)
	7	277,013	(158,035)	297,780	(146,050)
Not subject to amortization:					
In-process research and development	Not amortized	—	—	11,753	—
Total intangible assets		\$277,013	\$(158,035)	\$309,533	\$(146,050)

Gross intangible assets decreased \$32.5 million in fiscal 2021 due to the removal of fully amortized assets.

The following table presents details of intangible asset amortization expense recognized in the Consolidated Statements of Income (in thousands):

	Year Ended		
	January 1, 2022	January 2, 2021	December 28, 2019
Research and development	\$32,319	\$31,351	\$ 27,858
Selling, general and administrative	12,186	11,218	9,876
	<u>\$44,505</u>	<u>\$42,569</u>	<u>\$ 37,734</u>

The estimated aggregate amortization expense for intangible assets subject to amortization for each of the five succeeding fiscal years is as follows (in thousands):

Fiscal Year	
2022	\$ 34,071
2023	25,374
2024	23,034
2025	13,369
2026	9,178

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**Silicon Laboratories Inc.**  
**Notes to Consolidated Financial Statements (Continued)**  
**January 1, 2022**

**11. Debt**

*0.625% Convertible Senior Notes*

On June 1, 2020, the Company completed a private offering of \$535 million principal amount convertible senior notes (the “2025 Notes”). The 2025 Notes bear interest semi-annually at a rate of 0.625% per year and mature on June 15, 2025.

The 2025 Notes are convertible at a conversion rate of 8.1980 shares of common stock per \$1,000 principal amount of the 2025 Notes, or approximately 4.4 million shares of common stock, which is equivalent to a conversion price of approximately \$121.98 per share. The conversion rate is subject to adjustment under certain circumstances, such as the repurchases of common stock under a “modified Dutch Auction” tender offer completed during fiscal 2021. Holders may convert the 2025 Notes under the following circumstances: during any calendar quarter after the calendar quarter ended on September 30, 2020 if the closing price of the Company’s common stock for at least 20 trading days in the 30 consecutive trading days ending on the last trading day of the preceding calendar quarter is greater than or equal to \$159.51 per share, representing 130% of the conversion price of the 2025 Notes (“the Sales Price Trigger”); during the five business day period after any ten consecutive trading day period (the “measurement period”) in which the trading price per \$1,000 principal amount of notes for each trading day of the measurement period was less than 98% of the product of the closing sale price of our common stock and the conversion rate on each such trading day; if specified distributions or corporate events occur; if the Notes are called for redemption; or at any time after March 15, 2025. The Company may redeem all or any portion of the 2025 Notes, at its option, on or after June 20, 2023, if the last reported sale price of the Company’s common stock has been at least 130% of the conversion price then in effect for at least 20 trading days during any 30 consecutive trading day period. Upon conversion, the 2025 Notes may be settled in cash, shares of the Company’s common stock or a combination of cash and shares, at the Company’s election.

The Sales Price Trigger condition was met on January 1, 2022, and as a result, holders may convert their 2025 Notes at any time during the quarter ending March 31, 2022. Accordingly, the net carrying amount of the 2025 Notes was reclassified into current liabilities. On January 2, 2022, the Company irrevocably elected cash settlement for the principal amount of the 2025 Notes. The Company intends to settle any excess value in shares in the event of a conversion.

The Company incurred debt issuance costs of approximately \$10.4 million, which was allocated to the liability and equity components in proportion to the allocation of the proceeds. The costs allocated to the liability component are being amortized as interest expense over the term of the 2025 Notes using the effective interest method.

*1.375% Convertible Senior Notes*

On March 6, 2017, the Company completed a private offering of \$400 million principal amount convertible senior notes (the “2022 Notes”). The Notes bore interest semi-annually at a rate of 1.375% per year and were scheduled to mature on March 1, 2022.

On January 6, 2021, the Company issued a notice of redemption for the remaining \$140.6 million principal amount of the 2022 Notes. Prior to the redemption, the Company received conversion notices representing \$130.4 million principal amount of the notes. The Company paid \$130.4 million in cash and issued 528,022 shares of common stock for the conversions. Notes representing \$10.2 million principal amount were redeemed at par, plus accrued interest. All note conversions and redemptions were completed by March 22, 2021. The Company recognized a loss on debt extinguishment of \$3.4 million during fiscal 2021, which was recorded in interest expense in the Consolidated Statements of Income.



**Silicon Laboratories Inc.**  
**Notes to Consolidated Financial Statements (Continued)**  
**January 1, 2022**

**11. Debt (Continued)**
Convertible Debt, Net

The principal balances of the 2025 Notes and 2022 Notes (together, the "Notes") were separated into liability and equity components, and recorded initially at fair value. The excess of the principal amounts of the liability components over their carrying amounts represent the debt discount, which are amortized to interest expense over the term of the Notes using the effective interest method. The carrying amounts of the liability components was estimated by discounting the contractual cash flows of similar non-convertible debt at an appropriate market rate at the date of issuance.

The carrying amount of the Notes consisted of the following (in thousands):

	January 1, 2022	January 2, 2021
<b>Liability component</b>		
Principal	\$ 535,000	\$ 675,567
Unamortized debt discount	(78,519)	(103,953)
Unamortized debt issuance costs	(5,882)	(8,189)
Net carrying amount	<u>\$ 450,599</u>	<u>\$ 563,425</u>
<b>Equity component</b>		
Net carrying amount	<u>\$ 107,928</u>	<u>\$ 108,438</u>

The liability components of the Notes are recorded in convertible debt on the Consolidated Balance Sheet. The equity components of the Notes are recorded in stockholders' equity. The effective interest rate for the liability component was 5.336% for the 2025 Notes and 4.75% for the 2022 Notes. As of January 1, 2022, the remaining period over which the debt discount and debt issuance costs will be amortized was 3.5 years for the 2025 Notes. With the Company's adoption of ASU 2020-06 in fiscal 2022, the principal balance of the 2025 Notes will no longer be separated between liability and equity components. This will result in an increase to the carrying value of its convertible debt by \$78.5 million, representing the unamortized debt discount, with an offsetting reduction in stockholders' equity.

Interest expense related to the notes was comprised of the following (in thousands):

	January 1, 2022	Year Ended January 2, 2021	December 28, 2019
Contractual interest expense	\$ 3,662	\$ 5,530	\$ 5,485
Amortization of debt discount	21,112	19,375	11,717
Amortization of debt issuance costs	1,655	2,058	1,768
	<u>\$ 26,429</u>	<u>\$ 26,963</u>	<u>\$ 18,970</u>

Credit Facility

The Company and certain of its domestic subsidiaries (the "Guarantors") have a \$400 million revolving credit facility with a maturity date of August 7, 2024. The credit facility includes a \$25 million letter of credit sublimit and a \$10 million swingline loan sublimit. The Company also has an option to increase the size of the borrowing capacity by up to the greater of an aggregate of \$250 million and 100% of EBITDA of the last four fiscal quarters, plus an amount that would not cause a secured leverage ratio (funded debt secured by assets/EBITDA) to exceed 3.25 to 1.00, subject to certain conditions.

**Silicon Laboratories Inc.**  
**Notes to Consolidated Financial Statements (Continued)**  
**January 1, 2022**

**11. Debt (Continued)**

The credit facility, other than swingline loans, will bear interest at the Eurodollar rate plus an applicable margin or, at the option of the Company, a base rate (defined as the highest of the Wells Fargo prime rate, the Federal Funds rate plus 0.50% and the Eurodollar Base Rate plus 1.00%) plus an applicable margin. Swingline loans accrue interest at the base rate plus the applicable margin for base rate loans. The applicable margins for the Eurodollar rate loans range from 1.00% to 1.75% and for base rate loans range from 0.00% to 0.75%, depending in each case, on the leverage ratio as defined in the credit facility.

The credit facility contains various conditions, covenants and representations with which the Company must be in compliance in order to borrow funds and to avoid an event of default, including financial covenants that the Company must maintain a net leverage ratio (funded indebtedness/EBITDA) of no more than 4.25 to 1, a secured leverage ratio of no more than 3.50 to 1, and a minimum interest coverage ratio (EBITDA/interest payments) of no less than 2.50 to 1. As of January 1, 2022, the Company was in compliance with all covenants of the credit facility. The Company's obligations under the credit facility are guaranteed by the Guarantors and are secured by a security interest in substantially all assets of the Company and the Guarantors. As of January 1, 2022, no amounts were outstanding on the credit facility.

**12. Leases**

The Company leases certain facilities under operating lease agreements that expire at various dates through 2030. Some of these arrangements contain renewal options and require the Company to pay taxes, insurance and maintenance costs. Lease costs for operating leases were \$7.4 million, \$5.6 million and \$5.8 million during fiscal 2021, 2020 and 2019, respectively.

**Supplemental Lease Information**

<b>Balance Sheet Information (in thousands)</b>	<b>January 1, 2022</b>	<b>January 2, 2021</b>
Operating lease right-of-use assets	\$ 27,896	\$ 27,392
Operating lease liabilities	\$ 29,171	\$ 29,017
	<b>Year Ended</b>	
	<b>January 1, 2022</b>	<b>January 2, 2021</b>
<b>Cash Flow Information (in thousands)</b>		
Cash paid for operating lease liabilities	\$ 7,138	\$ 5,541
Right-of-use assets obtained in exchange for operating lease obligations	\$ 6,335	\$ 16,711
<b>Operating Lease Information</b>	<b>January 1, 2022</b>	<b>January 2, 2021</b>
Weighted-average remaining lease term	5.9 years	6.4 years
Weighted-average discount rate	3.83 %	4.24 %

**Silicon Laboratories Inc.**  
**Notes to Consolidated Financial Statements (Continued)**  
**January 1, 2022**

**12. Leases (Continued)**

The maturities of operating lease liabilities as of January 1, 2022 were as follows (in thousands):

<b>Fiscal Year</b>	
2022	\$ 7,136
2023	6,207
2024	5,188
2025	3,786
2026	2,623
Thereafter	7,403
Total lease payments	32,343
Less imputed interest	(3,172)
Total lease liabilities	<u>\$ 29,171</u>

*Lease income*

The Company leases a portion of its headquarter facilities to other tenants. Lease income from operating leases was \$4.9 million, \$3.2 million and \$4.0 million during fiscal 2021, 2020 and 2019, respectively.

**13. Commitments and Contingencies***Legal Proceedings*

The Company is involved in various legal proceedings that have arisen in the normal course of business. While the ultimate results cannot be predicted with certainty, the Company does not expect them to have a material adverse effect on its Consolidated Financial Statements.

**14. Share Repurchases**

The Company repurchased 6.5 million shares, 0.2 million shares and 0.3 million shares of its common stock for \$1.15 billion, \$16.3 million and \$26.7 million during fiscal 2021, 2020 and 2019, respectively. Shares repurchased in fiscal 2021 included purchases of 4.0 million shares through a “modified Dutch Auction” tender offer, 1.7 million shares through an accelerated share repurchase (“ASR”) agreement and 0.8 million shares through the Company’s existing share repurchase program. The tender offer commenced on August 3, 2021 and expired on August 30, 2021. Shares repurchased through the tender offer were priced at \$160.00 per share, for an aggregate cost of \$640.7 million, excluding fees and expenses relating to the tender offer. Under the ASR Agreement, the Company will repurchase an aggregate of \$400 million of its common stock. In fiscal 2021, the Company received an aggregate initial share delivery of approximately 1.7 million shares, with the remaining shares, if any, expected to be delivered in the first fiscal quarter of 2022. Shares purchased through the tender offer, ASR agreement and share repurchase program were effectively retired upon repurchase.

**15. Revenues**

Revenues were generated predominately by sales of the Company’s mixed-signal products. Revenue is recognized when control of the promised goods or services is transferred to the customer, which typically occurs upon delivery. The transaction price reflects the Company’s expectations about the consideration it will be entitled to receive from the customer and may include fixed or variable amounts. Variable consideration that does not meet revenue recognition criteria is deferred.

**Silicon Laboratories Inc.**  
**Notes to Consolidated Financial Statements (Continued)**  
**January 1, 2022**

**15. Revenues (Continued)**

A portion of the Company's sales are made to distributors under agreements allowing certain rights of return and/or price protection related to the final selling price to the end customers. These factors impact the timing and uncertainty of revenues and cash flows. The Company recognized revenue of \$12.4 million, \$11.5 million and \$10.3 million during fiscal 2021, 2020 and 2019, respectively, from performance obligations that were satisfied in previous reporting periods. The following disaggregates the Company's revenue by sales channel (in thousands):

	Year Ended		
	January 1, 2022	January 2, 2021	December 28, 2019
Distributors	\$584,010	\$416,606	\$ 361,645
Direct customers	136,850	94,322	112,140
	<u>\$720,860</u>	<u>\$510,928</u>	<u>\$ 473,785</u>

**16. Stock-Based Compensation**

Information in this footnote is inclusive of both continuing and discontinued operations, except as noted.

In fiscal 2009, the stockholders of the Company approved the 2009 Stock Incentive Plan (the "2009 Plan") and the 2009 Employee Stock Purchase Plan (the "2009 Purchase Plan"). In fiscal 2017 and fiscal 2021, the stockholders of the Company approved amendments to both the 2009 Plan and the 2009 Purchase Plan. The purpose of the amendments was to authorize additional shares of common stock for issuance, to comply with changes in applicable law, to improve the Company's corporate governance and to implement other best practices.

**2009 Stock Incentive Plan**

Under the 2009 Plan, the following may be granted: stock options, stock appreciation rights, performance shares, performance stock units, restricted stock units (RSUs), restricted stock awards (RSAs), performance-based awards and other awards (collectively, all such grants are referred to as "awards"). The fiscal 2017 amendments to the 2009 Plan created a single share pool. All awards now deduct one share from the 2009 Plan shares available for issuance for each share granted. Awards granted under the 2009 Plan generally contain vesting provisions ranging from three to four years. The exercise price of stock options offered under the 2009 Plan may not be less than 100% of the fair market value of a share of our common stock on the date of grant. To the extent awards granted under the 2009 Plan terminate, expire or lapse for any reason, or are settled in cash, shares subject to such awards will again be available for grant.

*Stock Grants and Modifications*

The Company granted to its employees 0.6 million, 0.7 million and 0.7 million shares of full value awards and no stock options from the 2009 Plan during fiscal 2021, 2020 and 2019, respectively.

The Company recorded \$7.8 million in selling, general and administrative expense during fiscal 2021 in connection with the modification of certain equity awards. The modifications were pursuant to employee terminations. There were no other significant modifications made to any stock grants during fiscal 2021, 2020 or 2019.

Included in the full value awards granted under the 2009 Plan in fiscal 2021 were 116,809 performance-based stock awards (PSUs). PSUs provide for the rights to acquire a number of shares of common stock for no cash consideration based upon the achievement of specified revenue objectives during the year. The requisite service period for these PSUs is approximately three years from the date of grant. There were no performance stock units (PSUs) granted during fiscal 2020 or 2019.

**Silicon Laboratories Inc.**  
**Notes to Consolidated Financial Statements (Continued)**  
**January 1, 2022**

**16. Stock-Based Compensation (Continued)**

Included in the full value awards granted under the 2009 Plan in fiscal 2020 and 2019 were a total of 82,000 and 93,000 market-based stock awards, respectively. The awards, also known as market stock units (MSUs), provide the rights to acquire a number of shares of common stock for no cash consideration based upon achievement of specified levels of market conditions. The requisite service period for these MSUs is also the vesting period, which is generally three years. MSUs granted in 2020 and 2019 measure the relative performance of the total stockholders' return of the Company against that of a selected benchmarked group of companies. There were no MSUs granted in fiscal 2021.

2009 Employee Stock Purchase Plan

The rights to purchase common stock granted under the 2009 Purchase Plan are intended to be treated as either (i) purchase rights granted under an "employee stock purchase plan," as that term is defined in Section 423(b) of the Internal Revenue Code (the "423(b) Plan"), or (ii) purchase rights granted under an employee stock purchase plan that is not subject to the terms and conditions of Section 423(b) of the Internal Revenue Code (the "Non-423(b) Plan"). The Company will retain the discretion to grant purchase rights under either the 423(b) Plan or the Non-423(b) Plan. Eligible employees may purchase a limited number of shares of the Company's common stock at no less than 85% of the fair market value of a share of common stock at prescribed purchase intervals during an offering period. Each offering period will be comprised of a series of one or more successive and/or overlapping purchase intervals and has a maximum term of 24 months. During fiscal 2021, 2020 and 2019, the Company issued 146,000, 177,000 and 208,000 shares, respectively, under the 2009 Purchase Plan to its employees. The weighted-average fair value for purchase rights granted in fiscal 2021 under the 2009 Purchase Plan was \$41.59 per share.

Accounting for Stock-Based Compensation

Stock-based compensation costs are based on the fair values on the date of grant for stock awards and stock options and on the date of enrollment for the employee stock purchase plans. The fair values of stock awards (such as RSUs, PSUs and RSAs) are estimated based on their intrinsic values. The fair values of MSUs are estimated using a Monte Carlo simulation. The fair values of stock options and employee stock purchase plans are estimated using the Black-Scholes option-pricing model.

The Black-Scholes valuation calculation requires the Company to estimate key assumptions such as future stock price volatility, expected terms, risk-free rates and dividend yield. Expected stock price volatility is based upon a combination of both historical volatility and implied volatility derived from traded options on the Company's stock in the marketplace. Expected term is derived from an analysis of historical exercises and remaining contractual life of options. The risk-free rate is based on the U.S. Treasury yield curve in effect at the time of grant. The Company has never paid cash dividends and does not currently intend to pay cash dividends, thus it has assumed a 0% dividend yield.

The Monte Carlo simulation used to calculate the fair value of the MSUs simulates the present value of the potential outcomes of future stock prices of the Company and the Philadelphia Semiconductor Sector Total Return Index over the requisite service period. The projection of stock prices are based on the risk-free rate of return, the volatilities of the stock price of the Company and the Index, and the correlation of the stock price of the Company with the Index.

The Company estimates potential forfeitures of stock grants and adjusts compensation cost recorded accordingly. The estimate of forfeitures will be adjusted over the requisite service period to the extent that actual forfeitures differ, or are expected to differ, from such estimates. Changes in estimated forfeitures are recognized through a cumulative catch-up adjustment in the period of change and will also impact the amount of stock-based compensation expense to be recognized in future periods.

The fair values of stock options and RSUs are amortized as compensation expense on a straight-line basis over the vesting period of the grants. The fair values of RSAs are fully expensed in the period of grant when shares are immediately issued with no vesting restrictions. The fair values of MSUs are amortized as compensation expense on a straight-line basis over the performance and service periods of the grants. The fair values of PSUs are amortized as compensation expense on a straight-line basis over the performance period when the performance is probable of achievement, and over the remaining service periods thereafter. Compensation expense recognized is shown in the operating activities section of the Consolidated Statements of Cash Flows.

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**Silicon Laboratories Inc.**  
**Notes to Consolidated Financial Statements (Continued)**  
**January 1, 2022**

**16. Stock-Based Compensation (Continued)**

The fair values estimated from the Black-Scholes option-pricing model for ESPP shares granted were calculated using the following assumptions:

<b>Employee Stock Purchase Plan</b>	<b>Year Ended</b>		
	<b>January 1, 2022</b>	<b>January 2, 2021</b>	<b>December 28, 2019</b>
Expected volatility	42 %	67 %	37 %
Risk-free interest rate %	0.05 %	0.15 %	1.6 %
Expected term (in months)	9	9	9
Dividend yield	—	—	—

The fair values estimated from the Monte Carlo simulation for MSUs were calculated using the following assumptions:

<b>MSUs</b>	<b>Year Ended</b>	
	<b>January 2, 2021</b>	<b>December 28, 2019</b>
Expected volatility	36 %	31 %
Risk-free interest rate %	1.3 %	2.4 %
Expected term (in years)	2.9	2.9
Dividend yield	—	—

A summary of stock-based compensation activity with respect to fiscal 2021 follows:

<b>Stock Options</b>	<b>Shares (000s)</b>	<b>Weighted- Average Exercise Price</b>	<b>Weighted-Average Remaining Contractual Term (In Years)</b>	<b>Aggregate Intrinsic Value (000s)</b>
Outstanding at January 2, 2021	127	\$ 39.16	5.11	\$ 11,232
Outstanding at January 1, 2022	118	\$ 38.80	4.12	\$ 19,825
Vested at January 1, 2022 and expected to vest	118	\$ 38.80	4.12	\$ 19,825
Exercisable at January 1, 2022	118	\$ 38.80	4.12	\$ 19,825
<b>RSAs and RSUs</b>	<b>Shares (000s)</b>	<b>Weighted- Average Grant Date Fair Value</b>	<b>Weighted-Average Remaining Vesting Term (In Years)</b>	<b>Aggregate Intrinsic Value (000s)</b>
Outstanding at January 2, 2021	1,106	\$ 97.07		
Granted	452	\$ 135.28		
Vested or issued	(502)	\$ 95.04		
Cancelled or forfeited	(225)	\$ 108.61		
Outstanding at January 1, 2022	831	\$ 115.72	1.11	\$ 171,476
Outstanding at January 1, 2022 and expected to vest	770	\$ 115.10	1.11	\$ 159,028
<b>PSUs and MSUs</b>	<b>Shares (000s)</b>	<b>Weighted- Average Grant Date Fair Value</b>	<b>Weighted-Average Remaining Vesting Term (In Years)</b>	<b>Aggregate Intrinsic Value (000s)</b>
Outstanding at January 2, 2021	233	\$ 79.80		
Granted	117	\$ 145.11		
Earned or issued	(37)	\$ 97.19		
Cancelled or forfeited	(67)	\$ 89.45		
Outstanding at January 1, 2022	246	\$ 105.58	1.44	\$ 50,792
Outstanding at January 1, 2022 and expected to vest	224	\$ 102.01	1.44	\$ 46,297





**Silicon Laboratories Inc.**  
**Notes to Consolidated Financial Statements (Continued)**  
**January 1, 2022**

**16. Stock-Based Compensation (Continued)**

The following summarizes the Company's weighted average fair value at the date of grant:

	Year Ended		
	January 1, 2022	January 2, 2021	December 28, 2019
Per grant of RSAs and RSUs	\$ 135.28	\$ 100.27	\$ 89.35
Per grant of PSUs and MSUs	\$ 145.11	\$ 98.58	\$ 85.79

The following summarizes the Company's stock-based payment and stock option values (in thousands):

	Year Ended		
	January 1, 2022	January 2, 2021	December 28, 2019
Intrinsic value of stock options exercised	\$ 986	\$ 558	\$ —
Intrinsic value of RSUs that vested	\$ 76,654	\$ 48,534	\$ 57,693
Grant date fair value of RSUs that vested	\$ 47,726	\$ 37,477	\$ 40,434
Intrinsic value of PSUs and MSUs that vested	\$ 5,231	\$ 8,545	\$ 3,649
Grant date fair value of PSUs and MSUs that vested	\$ 3,562	\$ 6,302	\$ 1,461

The Company received \$14.2 million cash for the issuance of common stock, and paid \$22.2 million for shares withheld for taxes, during fiscal 2021. The Company issues shares from the shares reserved under its stock plans upon the exercise of stock options, vesting of RSUs, PSUs and MSUs, and purchases through employee stock purchase plans. The Company does not currently expect to repurchase shares from any source to satisfy such obligation.

The following table presents details of stock-based compensation costs recognized in the Consolidated Statements of Income (in thousands):

	Year Ended		
	January 1, 2022	January 2, 2021	December 28, 2019
Cost of revenues	\$ 964	\$ 970	\$ 790
Research and development	24,986	23,359	19,996
Selling, general and administrative	30,892	25,125	23,548
	56,842	49,454	44,334
Income tax benefit	(954)	(3,694)	(2,584)
Share-based compensation – continuing operations	55,888	45,760	41,750
Share-based compensation – discontinued operations, net	(2,007)	10,715	10,574
Total	<u>\$ 53,881</u>	<u>\$ 56,475</u>	<u>\$ 52,324</u>

The Company had approximately \$74.2 million of total unrecognized compensation cost related to equity grants under the 2009 Plan as of January 1, 2022 that is expected to be recognized over a weighted-average period of approximately 2.4 years. There were no significant stock-based compensation costs capitalized into assets in any of the periods presented.

As of January 1, 2022, the Company had reserved shares of common stock for future issuance as follows (in thousands):

2009 Stock Incentive Plan	2,946
2009 Employee Stock Purchase Plan	1,254
Total shares reserved	<u>4,200</u>

**Silicon Laboratories Inc.**  
**Notes to Consolidated Financial Statements (Continued)**  
**January 1, 2022**

## 17. Employee Benefit Plan

The Company maintains a defined contribution or 401(k) Plan for its qualified U.S. employees. Participants may contribute a percentage of their compensation on a pre-tax basis, subject to a maximum annual contribution imposed by the Internal Revenue Code. The Company may make discretionary matching contributions as well as discretionary profit-sharing contributions to the 401(k) Plan. The Company contributed \$3.5 million, \$4.2 million and \$3.9 million to the 401(k) Plan during fiscal 2021, 2020 and 2019, respectively.

## 18. Income Taxes

Loss from continuing operations before income taxes includes the following components (in thousands):

	Year Ended		
	January 1, 2022	January 2, 2021	December 28, 2019
Domestic	\$ (29,112)	\$ (58,104)	\$ (38,448)
Foreign	(29,063)	(74,099)	(57,563)
	<u>\$ (58,175)</u>	<u>\$ (132,203)</u>	<u>\$ (96,011)</u>

The provision (benefit) for income taxes consists of the following (in thousands):

	Year Ended		
	January 1, 2022	January 2, 2021	December 28, 2019
Current:			
Domestic	\$ (12,630)	\$ (9,740)	\$ (20,962)
Foreign	9,447	1,656	4,940
Total Current	(3,183)	(8,084)	(16,022)
Deferred:			
Domestic	17,873	(4,031)	33,624
Foreign	(1,263)	(2,487)	(10,618)
Total Deferred	16,610	(6,518)	23,006
Provision (benefit) for income taxes	<u>\$ 13,427</u>	<u>\$ (14,602)</u>	<u>\$ 6,984</u>

The reconciliation of the federal statutory tax rate to the Company's effective tax rate is as follows:

	Year Ended		
	January 1, 2022	January 2, 2021	December 28, 2019
Federal statutory rate	21.0 %	21.0 %	21.0 %
Foreign tax rate benefit	(12.5)	(11.1)	(9.7)
Research and development tax credits	0.1	4.2	5.3
GILTI and Subpart F Income	(1.8)	0.2	0.2
(Nondeductible) nontaxable foreign items	(4.9)	0.1	(2.5)
Nondeductible officer compensation	(7.8)	(1.7)	(2.0)
Change in cost-sharing treatment of stock-based compensation	—	—	(19.2)
Excess tax benefit of stock-based compensation	2.8	0.4	0.8
Other tax effects of equity compensation	0.4	0.1	0.7
Change in prior period valuation allowance	(8.0)	(0.3)	(0.7)
(Nondeductible) nontaxable domestic items	(2.1)	(1.6)	(1.6)
Net operating loss not benefited	(9.5)	—	—
Other	(0.8)	(0.3)	0.4
Effective tax rate	<u>(23.1)%</u>	<u>11.0 %</u>	<u>(7.3)%</u>

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**Silicon Laboratories Inc.**  
**Notes to Consolidated Financial Statements (Continued)**  
**January 1, 2022**

**18. Income Taxes (Continued)**

The effective tax rate for fiscal 2021 decreased from fiscal 2020 primarily due to the adoption of FASB ASU 2019-12, *Simplifying the Accounting for Income Taxes*, in 2021 and an increase in the beginning of year valuation allowance on deferred tax assets for state attribute carryforwards. The effective tax rate for fiscal 2020 increased from fiscal 2019 primarily due to a fiscal 2019 change in the Company's position related to the treatment of stock-based compensation within its intercompany cost-sharing arrangement offset by the increased impact of fiscal 2020 permanent tax differences.

The higher provision for income taxes for fiscal 2021 was primarily due to the adoption of ASU 2019-12 as of the beginning of fiscal 2021. Under ASU 2019-12, which is being applied prospectively from the date of adoption, the income tax benefit of a loss from continuing operations should be reallocated to discontinued operations if the Company would be unable to benefit from the loss without considering the income from discontinued operations. As such, the income tax benefit from net operating losses associated with continuing operations for fiscal 2021 was reallocated to discontinued operations. Prior to ASU 2019-12, if the Company reported a loss from continuing operations and income from discontinued operations, income from discontinued operations would be considered in determining the income tax benefit allocated to continuing operations. Additionally, for fiscal 2021 there was an increase in the beginning of year valuation allowance on deferred tax assets for state attribute carryforwards as a result of changes in state tax estimates, primarily due to the divestiture of the infrastructure and automotive business.

Tax on the gain from the divestiture of the infrastructure and automotive business of \$346.9 million was recorded in discontinued operations for the current period, as well as additional tax benefits associated with discontinued operations of \$7.2 million for fiscal 2021. As of January 1, 2022, income taxes payable of \$74.9 million recorded in connection with the gain from the divestiture was included in other current liabilities in the Consolidated Balance Sheet.

**Silicon Laboratories Inc.**  
**Notes to Consolidated Financial Statements (Continued)**  
**January 1, 2022**

**18. Income Taxes (Continued)**

The Tax Cuts and Jobs Act was enacted in the U.S. on December 22, 2017 and required companies to pay a one-time transition tax on earnings of certain foreign subsidiaries that were previously deferred from U.S. income tax under U.S. tax law. The Company elected to pay the transition tax over the eight-year period provided in the Act. As of January 1, 2022, the unpaid balance of its transition tax obligation was \$21.4 million, which is payable between April 2022 and April 2025. This was recorded as components of other current liabilities and other non-current liabilities in the Consolidated Balance Sheet in the amounts of \$2.4 million and \$19.0 million, respectively.

The Company has made an accounting policy election to treat global intangible low-taxed income (GILTI) as a period expense when incurred.

**Deferred Income Taxes**

Deferred tax assets and liabilities are recorded for the estimated tax impact of temporary differences between the tax basis and book basis of assets and liabilities. Significant components of the Company's deferred taxes as of January 1, 2022 and January 2, 2021 were as follows (in thousands):

	January 1, 2022	January 2, 2021
Deferred tax assets:		
Net operating loss carryforwards	\$ 5,803	\$ 6,839
Tax credit carryforwards	12,247	22,421
Intangible assets	8,687	9,802
Deferred income on shipments to distributors	4,588	3,099
Leases	6,033	6,335
Accrued liabilities	6,078	6,320
Other	4,180	5,513
	47,616	60,329
Less: Valuation allowance	(9,529)	(5,311)
	38,087	55,018
Deferred tax liabilities:		
Intangible assets	14,479	16,758
Fixed assets	8,692	8,473
Leases	5,664	5,999
Debt	16,399	21,674
Unrealized gain on equity method investment	3,342	587
Prepaid expenses and other	6,049	4,332
	54,625	57,823
Net deferred tax assets (liabilities)	<u>\$ (16,538)</u>	<u>\$ (2,805)</u>

As of January 1, 2022, the Company had federal net operating loss and research and development tax credit carryforwards of approximately \$18.4 million and \$1.8 million, respectively. These carryforwards expire in fiscal years 2022 through 2031. Recognition of these loss and credit carryforwards is subject to an annual limit, which may cause them to expire before they are used.

The Company also had state loss, state tentative minimum tax credit, and state research and development tax credit carryforwards of approximately \$30.6 million, \$0.5 million, and \$11.9 million, respectively. Certain of these carryforwards expire in fiscal years 2025 through 2036, and others do not expire. Recognition of some of these loss and credit carryforwards is subject to an annual limit, which may cause them to expire before they are used.

**Silicon Laboratories Inc.**  
**Notes to Consolidated Financial Statements (Continued)**  
**January 1, 2022**

**18. Income Taxes (Continued)**

A valuation allowance is established against a deferred tax asset when it is more likely than not that the deferred tax asset will not be realized. The Company maintains a valuation allowance with respect to certain deferred tax assets relating to state research and development tax credits, state net operating loss carryforwards and state alternative minimum tax credits. The following table summarizes the activity related to the valuation allowance for deferred tax assets (in thousands):

	Balance at Beginning of Period	Additions Charged to Expenses	Deductions	Balance at End of Period
Year ended January 1, 2022	\$ 5,311	\$ 5,370	\$ (1,152)	\$ 9,529
Year ended January 2, 2021	\$ 4,486	\$ 847	\$ (22)	\$ 5,311
Year ended December 28, 2019	\$ 4,975	\$ 1,044	\$ (1,533)	\$ 4,486

At the end of fiscal 2021, undistributed earnings of certain of the Company's foreign subsidiaries of approximately \$107.8 million are intended to be permanently reinvested outside the U.S. Accordingly, no provision for foreign withholding tax and state income taxes associated with a distribution of these earnings has been made. Determination of the amount of the unrecognized deferred tax liability on these unremitted earnings is not practicable.

**Uncertain Tax Positions**

The following table summarizes the activity related to gross unrecognized tax benefits (in thousands):

	Year Ended		
	January 1, 2022	January 2, 2021	December 28, 2019
Beginning balance	\$ 2,853	\$ 2,276	\$ 2,036
Additions based on tax positions related to current year	830	577	436
Reductions based on tax positions related to prior years	(6)	—	(196)
Ending balance	<u>\$ 3,677</u>	<u>\$ 2,853</u>	<u>\$ 2,276</u>

As of January 1, 2022, January 2, 2021 and December 28, 2019, the Company had gross unrecognized tax benefits, inclusive of interest, of \$3.9 million, \$3.0 million and \$2.4 million, respectively, of which \$3.9 million, \$2.1 million and \$1.9 million, respectively, would affect the effective tax rate if recognized.

The Company recognizes interest and penalties related to unrecognized tax benefits in the provision (benefit) for income taxes. These amounts were not material for any of the periods presented.

Following the completion of the Norwegian Tax Administration ("NTA") examination of the Company's Norwegian subsidiary for income tax matters relating to fiscal years 2013 – 2016, the Company received an assessment from the NTA in December 2017 concerning an adjustment to its 2013 taxable income related to the pricing of an intercompany transaction. The Company is currently appealing the assessment. The adjustment to the pricing of the intercompany transaction results in approximately 141.3 million Norwegian kroner, or \$16.0 million, additional Norwegian income tax. The Company disagrees with the NTA's assessment and believes the Company's position on this matter is more likely than not to be sustained. The Company plans to exhaust all available administrative remedies, and if unable to resolve this matter through administrative remedies with the NTA, the Company plans to pursue judicial remedies.

The Company believes that it has accrued adequate reserves related to all matters contained in tax periods open to examination. Should the Company experience an unfavorable outcome in the NTA matter, however, such an outcome could have a material impact on its financial statements.

Tax years 2015 through 2021 remain open to examination by the major taxing jurisdictions in which the Company operates. The Company is not currently under audit in any major taxing jurisdiction.

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**Silicon Laboratories Inc.**  
**Notes to Consolidated Financial Statements (Continued)**  
**January 1, 2022**

**18. Income Taxes (Continued)**

The Company believes it is reasonably possible that its gross unrecognized tax benefits will decrease by approximately \$0.5 million, inclusive of interest, in the next 12 months due to the lapse of the statute of limitations.

**19. Segment Information**

The Company has one operating segment, mixed-signal analog intensive products, consisting of numerous product areas. The Company's chief operating decision maker is considered to be its Chief Executive Officer. The chief operating decision maker allocates resources and assesses performance of the business and other activities at the operating segment level.

Revenue is attributed to a geographic area based on the shipped-to location. The following summarizes the Company's revenue by geographic area (in thousands):

	Year Ended		
	January 1, 2022	January 2, 2021	December 28, 2019
United States	\$ 97,471	\$ 59,458	\$ 63,404
China	311,513	232,772	203,468
Rest of world	311,876	218,698	206,913
Total	<u>\$720,860</u>	<u>\$510,928</u>	<u>\$ 473,785</u>

The following summarizes the Company's property and equipment, net by geographic area (in thousands):

	January 1, 2022	January 2, 2021
United States	\$ 121,990	\$ 125,310
Rest of world	24,526	10,493
Total	<u>\$ 146,516</u>	<u>\$ 135,803</u>



# Supplementary Financial Information (Unaudited)

Quarterly financial information for fiscal 2021 and 2020 is as follows. The financial data for fiscal 2020 and the first quarter of fiscal 2021 has been recast to reflect the sale of the Company's infrastructure and automotive business as discontinued operations. The sale of this business closed on July 26, 2021. See Note 3, *Discontinued Operations*, to the Consolidated Financial Statements for additional information. The first quarter of fiscal 2020 had 14 weeks. All other quarterly periods reported here had 13 weeks (in thousands, except per share amounts):

	Fiscal 2021			
	Fourth Quarter	Third Quarter	Second Quarter	First Quarter
Revenues	\$ 208,680	\$ 184,831	\$ 169,492	\$ 157,857
Gross profit	127,831	109,509	96,298	91,754
Income (loss) from continuing operations	5,513	(19,740)	(18,491)	(25,156)
Net income (loss)	\$ (3,098)	\$ 2,087,056 (1)	\$ 19,932	\$ 13,509
Basic earnings (loss) per share:				
Continuing operations	\$ 0.14	\$ (0.45)	\$ (0.41)	\$ (0.57)
Net income	\$ (0.08)	\$ 48.11	\$ 0.44	\$ 0.31
Diluted earnings (loss) per share:				
Continuing operations	\$ 0.13	\$ (0.45)	\$ (0.41)	\$ (0.57)
Net income	\$ (0.08)	\$ 46.76	\$ 0.44	\$ 0.29
	Fiscal 2020			
	Fourth Quarter	Third Quarter	Second Quarter	First Quarter
Revenues	\$ 145,829 (2)	\$ 132,731	\$ 114,350	\$ 118,018
Gross profit	83,935	75,484	66,579	68,847
Loss from continuing operations	(21,347)	(26,702)	(36,045)	(31,391)
Net income (loss)	\$ 8,948	\$ 3,162	\$ (1,823)	\$ 2,244
Basic earnings (loss) per share:				
Continuing operations	\$ (0.49)	\$ (0.61)	\$ (0.82)	\$ (0.72)
Net income	\$ 0.20	\$ 0.07	\$ (0.04)	\$ 0.05
Diluted earnings (loss) per share:				
Continuing operations	\$ (0.49)	\$ (0.61)	\$ (0.82)	\$ (0.72)
Net income	\$ 0.20	\$ 0.07	\$ (0.04)	\$ 0.05

(1) Includes a gain on sale of our infrastructure and automotive business of \$2.1 billion, net of tax.

(2) Includes an adjustment of \$6.9 million to increase revenue resulting from a change in the assumptions used to estimate variable consideration.