



## Broadcom Reports First Quarter 2012 Results

IRVINE, Calif., May 1, 2012 /PRNewswire/ --

*First Quarter 2012*

Net Revenue: \$1.827 billion

GAAP Diluted EPS: \$.15; Non-GAAP Diluted EPS \$.65

### Q1 GAAP Results

- **Total Revenue:** \$1.827 billion (up 0.6% year-over-year)
- **Product Gross Margin:** 48.1%
- **Diluted EPS:** \$.15 (includes \$.12 of net non-recurring charges)
- **Cash Flow from Operations:** \$368 million

### Q1 Non-GAAP Results

- **Product Gross Margin:** 52.0%
- **Diluted EPS:** \$.65

Broadcom Corporation (NASDAQ: BRCM), a global innovation leader in semiconductor solutions for wired and wireless communications, today reported unaudited financial results for its first quarter ended March 31, 2012.

"Broadcom performed well in the first quarter, with revenue near the high end of the guided range and better-than-expected underlying profitability," said Scott McGregor, Broadcom's President and Chief Executive Officer. "We closed the NetLogic Microsystems transaction to expand our footprint in network infrastructure, extended our lead in 5G WiFi by beginning commercial shipments, and rounded out our PON portfolio with the acquisition of BroadLight to enable complete solutions for the fastest growing segment in broadband access."

Net revenue for the first quarter of 2012 was \$1.827 billion. This represents an increase of 0.4% compared with the \$1.820 billion reported for the fourth quarter of 2011 and an increase of 0.6% compared with the \$1.816 billion reported for the first quarter of 2011. Net income computed in accordance with U.S. generally accepted accounting principles (GAAP) for the first quarter of 2012 was \$88 million, or \$.15 per share (diluted), compared with GAAP net income of \$254 million, or \$.45 per share (diluted), for the fourth quarter of 2011 and GAAP net income of \$228 million, or \$.40 per share (diluted), for the first quarter of 2011.

In addition to GAAP results, Broadcom reports adjusted net income and adjusted net income per share, referred to respectively as "non-GAAP net income" and "non-GAAP diluted net income per share." A discussion of Broadcom's use of these and other non-GAAP financial measures is set forth below. Reconciliations of GAAP to non-GAAP financial measures for the three months ended March 31, 2012 and 2011, respectively, appear in the financial statements portion of this release under the heading "Unaudited Schedule of Selected GAAP to Non-GAAP Adjustments."

Non-GAAP net income for the first quarter of 2012 was \$387 million, or \$.65 per share (diluted), compared with non-GAAP net income of \$394 million, or \$.68 per share (diluted), for the fourth quarter of 2011 and non-GAAP net income of \$407 million, or \$.68 per share diluted, for the first quarter of 2011.

### **Conference Call Information**

As previously announced, Broadcom will conduct a conference call with analysts and investors to discuss its first quarter 2012 financial results and current financial prospects today at 1:45 p.m. Pacific Time (4:45 p.m. Eastern Time). The company will broadcast the conference call via webcast over the Internet. To listen to the webcast, or to view the financial and other statistical information required by Securities and Exchange Commission Regulation G, please visit the Investors section of the Broadcom website at [www.broadcom.com/investors](http://www.broadcom.com/investors). The webcast will be recorded and available for replay until 11:59 p.m. Pacific Time on

Friday, June 1, 2012.

The financial results included in this release are unaudited.

## **About Broadcom**

Broadcom Corporation (NASDAQ: BRCM), a FORTUNE 500® company, is a global leader and innovator in semiconductor solutions for wired and wireless communications. Broadcom® products seamlessly deliver voice, video, data and multimedia connectivity in the home, office and mobile environments. With the industry's broadest portfolio of state-of-the-art system-on-a-chip and embedded software solutions, Broadcom is changing the world by Connecting everything®. For more information, go to [www.broadcom.com](http://www.broadcom.com).

## **Note Regarding Use of Non-GAAP Financial Measures**

Broadcom reports the following measures in accordance with GAAP and on a non-GAAP basis: (i) cost of product revenue, (ii) product gross profit, (iii) product gross margin, (iv) research and development and selling, general and administrative expense, (v) net income, (vi) weighted average shares outstanding (diluted) and (vii) diluted net income per share. Broadcom's presentation of non-GAAP cost of product revenue, non-GAAP product gross profit, and non-GAAP product gross margin excludes certain charges related to acquisitions, stock-based compensation expense and employer payroll tax expense on certain stock option exercises. Acquisition-related charges include the amortization of purchased intangible assets and the amortization of acquired inventory valuation step-up. Our non-GAAP research and development and selling, general and administrative expense excludes stock-based compensation expense and employer payroll tax expense on certain stock option exercises, non-recurring legal fees, and changes in contingent earn-out liabilities. In addition to the exclusions noted above, our non-GAAP net income and diluted net income per share (EPS) also exclude settlement costs, charitable contributions, restructuring costs (reversals), impairment of long-lived assets, and tax benefits resulting from reductions in our U.S. valuation allowance on certain deferred tax assets due to the recording of net deferred tax liabilities for identifiable intangible assets under purchase accounting. Stock-based compensation expense primarily includes the impact of stock options and restricted stock units issued by Broadcom. Reconciliations of our GAAP to non-GAAP financial measures for the three months ended March 31, 2012 and 2011 appear in the financial statements portion of this release under the heading "Unaudited Schedule of Selected GAAP to Non-GAAP Adjustments." Some totals or amounts may not add or conform to prior period presentations due to rounding.

Broadcom believes that the presentation of these non-GAAP measures provides important supplemental information to management and investors regarding financial and business trends relating to our financial condition and results of operations. Broadcom's management believes that the use of these non-GAAP financial measures provides consistency and comparability among and between results from prior periods or forecasts and future prospects, and also facilitates comparisons with other companies in our industry, many of which use similar non-GAAP financial measures to supplement their GAAP results. Broadcom's management has historically used these non-GAAP financial measures when evaluating operating performance, because we believe that the inclusion or exclusion of the items described above provides insight into our core operating results, our ability to generate cash and underlying business trends affecting our performance. Broadcom has chosen to provide this information to investors to enable them to perform additional analyses of past, present and future operating performance and as a supplemental means to evaluate our ongoing core operations. The non-GAAP financial information presented herein should be considered supplemental to, and not as a substitute for, or superior to, financial measures calculated in accordance with GAAP.

For additional information on the items excluded by Broadcom from one or more of its non-GAAP financial measures, refer to the Form 8-K regarding this release furnished today to the Securities and Exchange Commission.

## **Cautions Regarding Forward-Looking Statements:**

*All statements included or incorporated by reference in this release and the related conference call for analysts and investors, other than statements or characterizations of historical fact, are forward-looking statements within the meaning of the federal securities laws, including the Private Securities Litigation Reform Act of 1995. These forward-looking statements are based on our current expectations, estimates and projections about our business and industry, management's beliefs, and certain assumptions made by us, all of which are subject to change. Forward-looking statements can often be identified by words such as "anticipates," "expects," "intends," "plans," "predicts," "believes," "seeks," "estimates," "may," "will," "should," "would," "could," "potential," "continue," "ongoing," similar expressions, and variations or negatives of these words. Examples of such forward-looking statements include, but are not limited to, guidance provided on future revenue, gross product margin and operating expense targets for the second quarter of 2012 (on both a GAAP and non-GAAP basis), and references to our anticipated growth compared to the overall semiconductor industry. These forward-looking statements are not guarantees of future results and are subject to risks, uncertainties and assumptions that could cause our actual results to differ materially and adversely from those expressed in any forward-looking statement.*

These risks and uncertainties include, but are not limited to the following:

- Our quarterly operating results may fluctuate significantly.
- We depend on a few significant customers for a substantial portion of our revenue.
- We face intense competition.
- We face risks associated with our acquisition strategy.
- We may fail to adjust our operations in response to changes in demand.
- Our operating results may be adversely impacted by worldwide economic uncertainties and specific conditions in the markets we address.
- Our stock price is highly volatile.
- We may be required to defend against alleged infringement of intellectual property rights of others and/or may be unable to adequately protect or enforce our own intellectual property rights.
- We are subject to order and shipment uncertainties.
- We manufacture and sell complex products and may be unable to successfully develop and introduce new products.
- We are exposed to risks associated with our international operations.
- We depend on third parties to fabricate, assemble and test our products.
- There can be no assurance that we will continue to declare cash dividends.
- We may be unable to attract, retain or motivate key personnel.
- Government regulation may adversely affect our business.
- Our business is subject to potential tax liabilities.
- Our articles of incorporation and bylaws contain anti-takeover provisions.
- Our co-founders and their affiliates may control the outcome of matters that require the approval of our shareholders.

Our Annual Report on Form 10-K for the year ended December 31, 2011, subsequent Quarterly Reports on Form 10-Q, recent Current Reports on Form 8-K, and other Securities and Exchange Commission filings discuss the foregoing risks as well as other important risk factors that could contribute to such differences or otherwise affect our business, results of operations and financial condition. The forward-looking statements used in this release and the related conference call for analysts and investors speak only as of the date they are made. We undertake no obligation to revise or update publicly any forward-looking statement to reflect future events or circumstances.

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**BROADCOM CORPORATION**  
**Unaudited GAAP Condensed Consolidated Statements of Income**  
(In millions, except per share amounts)

	Three Months Ended	
	March 31,	
	2012	2011
Net revenue:		
Product revenue	\$ 1,770	\$ 1,752
Income from Qualcomm Agreement	52	52
Licensing revenue	5	12
	<hr/>	<hr/>
Total net revenue	1,827	1,816
Costs and expenses:		
Cost of product revenue	918	894
Research and development	546	498
Selling, general and administrative	179	179
Amortization of purchased intangible assets	17	7
Settlement costs (gains), net	86	(5)
Impairments of long-lived assets	28	9
Restructuring costs	3	—
	<hr/>	<hr/>
Total operating costs and expenses	1,777	1,582
Income from operations	50	234
Interest expense, net	(6)	—
Other expense, net	(1)	(1)
	<hr/>	<hr/>
Income before income taxes	43	233
Provision (benefit) for income taxes	(45)	5
	<hr/>	<hr/>
Net income	\$ 88	\$ 228
	<hr/>	<hr/>
Net income per share (basic)	\$ 0.16	\$ 0.42

Net income per share (diluted)	\$ 0.15	\$ 0.40
Weighted average shares (basic)	548	539
Weighted average shares (diluted)	570	575
Dividends per share	\$ 0.10	\$ 0.09

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

	Three Months Ended March 31,	
	2012	2011
Cost of product revenue	\$ 9	\$ 7
Research and development	94	102
Selling, general and administrative	47	36

**BROADCOM CORPORATION**  
**Unaudited Condensed Consolidated Statements of Cash Flows**  
(In millions)

	Three Months Ended March 31,	
	2012	2011
<b>Operating activities</b>		
Net income	\$ 88	\$ 228
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	28	23
Stock-based compensation expense:		
Stock options and other awards	27	41
Restricted stock units	123	104
Acquisition-related items:		
Amortization of purchased intangible assets	54	22
Impairment of long-lived assets	28	9
Changes in operating assets and liabilities:		
Accounts receivable	(51)	59
Inventory	38	48
Prepaid expenses and other assets	(11)	(28)
Accounts payable	52	(70)
Deferred revenue and income	(9)	(9)
Accrued settlement costs	87	—
Other accrued and long-term liabilities	(86)	(94)
Net cash provided by operating activities	368	333
<b>Investing activities</b>		
Net purchases of property and equipment	(74)	(45)
Net cash paid for acquired company	(3,393)	—
Purchases of marketable securities	(334)	(654)
Proceeds from sales and maturities of marketable securities	706	795
Net cash provided by (used in) investing activities	(3,095)	96
<b>Financing activities</b>		
Repurchases of Class A common stock	—	(421)
Dividends paid	(55)	(48)
Payment of assumed contingent consideration	(53)	—
Proceeds from issuance of common stock	62	112
Minimum tax withholding paid on behalf of employees for restricted stock units	(48)	(57)
Net cash used in financing activities	(94)	(414)
Increase (decrease) in cash and cash equivalents	(2,821)	15
Cash and cash equivalents at beginning of period	4,146	1,622

Cash and cash equivalents at end of period	\$ 1,325	\$ 1,637
	<u>March 31,</u>	<u>December 31,</u>
	<u>2012</u>	<u>2011</u>
<b>Unaudited Supplemental Financial Information</b>	<b>(In millions)</b>	
Cash and cash equivalents	\$ 1,325	\$ 4,146
Short-term marketable securities	350	383
Long-term marketable securities	388	676
	<u>\$ 2,063</u>	<u>\$ 5,205</u>
Total cash, cash equivalents and marketable securities		
Decrease from prior period end	<u>\$ (3,142)</u>	

**BROADCOM CORPORATION**  
**Unaudited Condensed Consolidated Balance Sheets**  
(In millions)

	<u>March 31,</u>	<u>December 31,</u>
	<u>2012</u>	<u>2011</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 1,325	\$ 4,146
Short-term marketable securities	350	383
Accounts receivable, net	763	678
Inventory	475	421
Prepaid expenses and other current assets	141	124
	<u>3,054</u>	<u>5,752</u>
Total current assets		
Property and equipment, net	418	368
Long-term marketable securities	388	676
Goodwill	3,606	1,787
Purchased intangible assets, net	2,023	400
Other assets	84	57
	<u>\$ 9,573</u>	<u>\$ 9,040</u>
Total assets		
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 518	\$ 442
Wages and related benefits	146	175
Deferred revenue and income	13	21
Accrued liabilities	511	461
	<u>1,188</u>	<u>1,099</u>
Total current liabilities		
Long-term debt	1,196	1,196
Other long-term liabilities	308	224
Commitments and contingencies		
Shareholders' equity	6,881	6,521
	<u>\$ 9,573</u>	<u>\$ 9,040</u>
Total liabilities and shareholders' equity		

**BROADCOM CORPORATION**  
**Unaudited Schedule of Selected GAAP to Non-GAAP Adjustments**  
(In millions)

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<u>2012</u>	<u>2011</u>
Product revenue	\$ 1,770	\$ 1,752
GAAP cost of product revenue	918	894
	<u>\$ 852</u>	<u>\$ 858</u>
GAAP product gross profit		
	<u>48.1%</u>	<u>49.0%</u>
GAAP product gross margin		
GAAP cost of product revenue	\$ 918	\$ 894

Stock-based compensation and related payroll taxes	(9)	(7)
Amortization of purchased intangible assets and step-up of acquired inventory	(59)	(20)
Non-GAAP cost of product revenue	<u>\$ 850</u>	<u>\$ 867</u>
Product revenue	\$ 1,770	\$ 1,752
Non-GAAP cost of product revenue	<u>850</u>	<u>867</u>
Non-GAAP product gross profit	<u>\$ 920</u>	<u>\$ 885</u>
Non-GAAP product gross margin	<u>52.0%</u>	<u>50.5%</u>
GAAP research and development and selling, general and administrative expense	\$ 725	\$ 677
Stock-based compensation and related payroll taxes	(143)	(141)
Total GAAP to Non-GAAP adjustments	<u>(143)</u>	<u>(141)</u>
Non-GAAP research and development and selling, general and administrative expense	<u>\$ 582</u>	<u>\$ 536</u>
GAAP net income	\$ 88	\$ 228
Stock-based compensation and related payroll taxes	152	148
Amortization of purchased intangible assets and step-up of acquired inventory	76	27
Settlement costs (gains), net	86	(5)
Impairment of long-lived assets	28	9
Restructuring costs, net	3	—
Income tax benefit associated with the establishment of certain deferred tax liabilities in purchase accounting	(46)	—
Total GAAP to Non-GAAP adjustments	<u>299</u>	<u>179</u>
Non-GAAP net income	<u>\$ 387</u>	<u>\$ 407</u>
Shares used in calculation — diluted (GAAP)	570	575
Non-GAAP adjustment	<u>24</u>	<u>23</u>
Shares used in calculation — diluted (Non-GAAP)*	<u>594</u>	<u>598</u>
GAAP diluted net income per share	<u>\$ 0.15</u>	<u>\$ 0.40</u>
Non-GAAP diluted net income per share	<u>\$ 0.65</u>	<u>\$ 0.68</u>

\* Represents the benefits of compensation costs attributable to future services and not yet recognized in the financial statements that are treated as proceeds assumed to be used to repurchase shares under the GAAP treasury stock method.

**BROADCOM CORPORATION**  
**Guidance for the Three Months Ending June 30, 2012**

	Three Months Ending June 30, 2012
Total net revenue	~\$1.9 billion to ~\$2.0 billion
Product gross margin (GAAP)	Down from Q1'12 (due to acquisition-related charges)
Product gross margin (Non-GAAP)	Roughly flat from Q1'12
Research & development and selling, general, and administrative expenses (GAAP)	Up ~\$30 million to ~\$45 million from Q1'12
Research & development and selling, general, and administrative expenses (Non-GAAP)	Up ~\$35 million to ~\$50 million from Q1'12

Broadcom has based the preceding guidance for the three months ending June 30, 2012 on expectations, assumptions and estimates that we believe are reasonable given our assessment of historical trends and other information reasonably available as of May 1, 2012. Our guidance consists of predictions only, however, and is subject to a wide range of known and unknown business risks and uncertainties, many of which are beyond our control. The forecasts and projections contained in the table above should not be regarded as representations by Broadcom that the estimated results will be achieved. Projections and estimates are necessarily speculative in nature and actual results may vary materially from the guidance we provide today. The non-GAAP guidance presented above is consistent with the presentation of non-GAAP results included elsewhere herein.

The guidance set forth in the above table should be read together with the information under the caption, "Cautions Regarding Forward-Looking Statements" above, our Annual Report on Form 10-K for the year ended December 31, 2011, subsequent Quarterly Reports on Form 10-Q, recent Current Reports on Form 8-K, and our other Securities and Exchange Commission filings. We undertake no obligation to publicly update or revise any forward-looking statements, including the guidance set forth herein, to reflect future events or circumstances.

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