

CEO Letter



Mohan Maheswaran
President and Chief Executive Officer

Fiscal year 2016 was a year of transition for Semtech in which the company significantly upgraded its global operating infrastructure to enable future scalability and earnings leverage while reducing overall operating expenses. In addition, we invested in several new, innovative growth platforms that we believe position us very well for future revenue and earnings growth.

Net sales for 2016 totaled \$490.2 million, a decline of 12 percent compared to the prior fiscal year as our large Korean smartphone customers lost market share. However, we also saw the emergence of the China smartphone and global Internet of Things (IoT) markets, as well as a stronger than expected enterprise computing market which helped offset the steep decline in our Korean smartphone business. Despite the revenue decline, our gross margin improved to 59.8% from 58.9%, and our actions to reduce operating expenses helped the company generate \$102 million in cash.

With a broad portfolio of analog/mixed-signal platforms, Semtech is now well positioned to take advantage of some of the industry's fastest growing markets:

- Internet of Things
- Datacenter and associated markets
- Passive Optical Networking (PON)
- 4G/LTE wireless base station
- High-end consumer devices
- Emerging automotive infotainment markets

Our future market opportunity has been increased in recent years as we have continued to invest in disruptive analog platforms and acquire new innovative solutions. As we look to the future, our LoRa™ wireless RF technology has tremendous momentum in the global market, and we are seeing new applications for it emerge every day. In addition, our signal integrity products that support 1Gbps to 100Gbps applications targeted at datacenter and PON markets are growing very nicely, and our protection platforms continue to demonstrate Semtech's leadership in high-end protection for high-speed interfaces.

All of this has given Semtech strong momentum going into fiscal year 2017. We are participating in new high-growth markets, our investments in infrastructure are complete, and we have maintained our operational discipline throughout a challenging environment.

I truly believe the company has never been better positioned than now, and we expect to return to outperforming the industry as we continue on our journey to achieve \$1 billion in revenue in the next few years.

Thank you for your confidence and loyalty to Semtech.

A handwritten signature in black ink that reads "M. Maheswaran". The signature is written in a cursive, flowing style.

Mohan Maheswaran
President and Chief Executive Officer