

THE WALL STREET TRANSCRIPT

Connecting Market Leaders with Investors

TriQuint Semiconductor, Inc. (TQNT)



RALPH QUINSEY joined TriQuint Semiconductor, Inc., in July 2002 as President and Chief Executive Officer. From September 1999 to January 2002, Mr. Quinsey was Vice President and General Manager of the Analog Division of ON Semiconductor, a manufacturer of semiconductors for a wide array of applications. From 1979 to September 1999, he held various positions with Motorola, including Vice President and General Manager of the RF/IF circuits division, which developed both silicon and gallium arsenide technologies for wireless phone applications. Mr. Quinsey received a B.S. degree in electrical engineering from Marquette University.

SECTOR — SEMICONDUCTORS

TWST: What is TriQuint Semiconductor?

Mr. Quinsey: We are a company focused on radio frequency, RF, solutions. Our mission is to provide cost-effective RF solutions that help our customers improve the performance of their applications. The function of our products is to amplify and filter signals for broadband communication and other applications, particularly wireless. Our markets require high frequency and high power, and include applications such as mobile phones, cable, fiber-to-the-home, point-to-point, optical, base stations, satellite and radar. We were founded in 1985 and went public in 1993. Approximately 60% of our revenues comes from mobile devices, 10% to 15% from defense and aerospace, and the remaining 25% is a collection of submarkets we call “networks.”

TWST: Would you give us a sense of the size and growth potential of the markets you serve?

Mr. Quinsey: Our market is about \$6 billion to \$7 billion, with the largest part, about 70%, being mobile devices. Right now the market is growing due to RF content expansion within smartphones and the investments by carriers to handle the massive amount of data that’s being loaded into the network. We see good growth potential going forward.

TWST: What sets TriQuint apart from the competition? What are your competitive advantages?

Mr. Quinsey: We differentiate ourselves in two areas. First, in mobile devices, such as handsets, we supply the complete RF solution. Regardless of bands, standard or component, TriQuint is best positioned to provide the complete solution through integration. Integration drives performance, size and cost, which is what customers require. The

networks, defense and aerospace markets are performance-focused markets where high power, high efficiency and superior linearity are the characteristics customers value. We are widely recognized as a technology leader for performance RF.

TWST: If we were speaking 12 months ago, what would have been your goals and expectations you for the company? How has the company performed over the past 12 months?

Mr. Quinsey: As you know, 12 months ago we were in the middle of a very concerning economic environment, and I’m proud to say that TriQuint grew 15% in that difficult environment. We came into this year with aggressive goals of 20% growth and significantly improving our gross margin. We’ve had five quarters of sequential gross margin improvement, exceeding 40% in the most recent quarter. I have recently raised our expectations for revenue growth this year to between 25% and 30%. So our report card shows we’ve done quite well.

TWST: What’s the agenda at this point? What are the priorities for the next 12 to 24 months?

Mr. Quinsey: Our focus is in three major areas: first of all, continue on our path of technology innovation focused on the complete RF solution. As I have said, we supply any standard, any part, any band for mobile devices, and we are a leader in integration. Secondly, we are recognized as a performance leader in networks, defense and aerospace, and building on this success is critical. We’d plan to grow faster than the markets focusing on key growth areas, smartphones, new communications standards, cable/FTTH, optical drivers and modules for the defense industry. We are also interested in building our business through M&A. Lastly, we see improvement in our operating margin through leverage. Scale will be a profit driver as we grow. Our overall goal is to invest

slower than the rate of revenue growth, providing leverage to the bottom line while maintaining focus on operational excellence.

TWST: What are the dynamics of the customer base? Who do you see today on your client roster and who do you believe will be there in the next three to five years?

Mr. Quinsey: We are seeing an exploding market in smartphones. We are also seeing good activity in cable/FTTH and optical. Last year Huawei selected us as their key supplier for optical products for 40 Gb/s metro applications. We are benefiting from that relationship this year and are seeing new customer design wins. It is an exciting time in the cable/FTTH market, as the system transitions from a one-way pipe to a two-way cable and fiber broadband network.

TWST: What is the current status of the balance sheet and P&L? What items have your attention for improvement?

Mr. Quinsey: The balance sheet is quite strong. We have \$175 million in cash and no debt. We are generating enough cash to fund our growth both for cap ex and working capital. We've been focused on improving gross margin and have had good success, completing the most recent quarter at 42% non-GAAP gross margin. Looking forward, we are targeting a compound annual growth rate of 20% and operating income of greater than 20%.

TWST: Will you introduce us to your top-level management team, two or three of your key individuals?

Mr. Quinsey: Our company has four business units, each with a GM focused on product development, marketing and the P&L. We have centralized operations, and centralized sales and customer service. We also have traditional finance and HR organizations. Our operations group is led by Steve Grant. He came to us from Intel and is pulling together the structure, systems and processes that will allow us to be a multibillion-dollar company. We have aggressive growth plans, and Steve owns the task of operations execution. Driving that growth is Todd DeBonis, our VP of Worldwide Sales & Customer Service. He has been with the company a little over five years and has been an aggressive force for change and growth within TriQuint Semiconductor, and we benefit from his keen focus and strategic insights.

TWST: What historically has been the shareholder base for TriQuint and has that base undergone any changes? How has it evolved?

Mr. Quinsey: We have traditionally attracted value investors, but we are increasingly gathering more GARP and growth investors. As we establish a track record as a growth company, we are seeing those investors come to TriQuint.

TWST: In your discussions with the investment community, are there any recurring questions or misperceptions? Do you believe the TriQuint story is well understood?

Mr. Quinsey: If investors are confused, it's in the area of believing that this is still a zero-sum game in the RF space. We are in the midst of an expansion of RF content due to the popularity of smartphones. Typically in the early 2000s, voice-only phones had about \$1.00 of content for RF suppliers like TriQuint. As smartphones were launched, an additional transmit lineup for data had to be added to the voice-only

phone, and so by definition, our content at least doubled. For worldwide coverage, multiple data bands are often required. So we are seeing our content expand four to six times, creating a rising tide for our industry. Investors are still trying to understand if this is sustainable and secular or just a short-term event. I believe it is sustainable for many, many years.

TWST: What metrics should investors focus on as they track and assess your performance? What should matter to an investor, and what matters to you?

Mr. Quinsey: First and foremost, I think investors should be aware of our bottom-line improvements. Other good milestones for them to check off are execution on new product launches, such as our multimode PA and next-generation PA-Duplexers for mobile devices, and design win announcements in cable and optical. In defense and aerospace, growth in gallium-nitride technology is a great opportunity, and our transition in the defense market from a die-only business to packaged devices and module products will drive revenue growth.

TWST: What should compel investors to include TQNT as a part of their current portfolios and longer-term investment strategies?

Mr. Quinsey: Investors should understand that robust growth for TriQuint is certainly in the cards due to content expansion in smartphones moving from the high-end to the higher-volume, low-end smartphones and then to machine-to-machine applications, such as eReaders, USB dongles, security cameras and other applications that need data connectivity, all driving investment in the infrastructure to handle increased voice, video and data. Currently, we have about 12.5% market share, so there is good headroom for us to grow. We have two primary competitive advantages that differentiate us. One, we offer the complete RF solution regardless of band, standards or type of component, allowing us to be an integration leader. Additionally, we are recognized as a technology leader in networks, defense and aerospace; the value we provide drives improved margin for the company. Currently, I believe we are undervalued by the market. The market has not yet seen the rising tide of RF content expansion, and I think it's a great time for investors to take a look at our improving results providing leverage to the bottom line. Lastly, our short-term goals in 2010 are to grow the business 30%, with gross margins over 40%. Our follow-on goals are to continuously grow the business at a 20% revenue growth rate and drive operating income to over 20%.

TWST: Thank you. (KL)

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