

ENTROPIC COMMUNICATIONS INC

Form 425

March 10, 2015

ENVISIONING

EMPOWERING

EXCELLING

MaxLinear Confidential & Proprietary

T-00PR

Edgar Filing: ENTROPIC COMMUNICATIONS INC - Form 425

NYSE: MXL

Corporate Overview, March 2015

Filed by MaxLinear, Inc.

Pursuant to Rule 425 under the Securities Act of 1933

and deemed filed pursuant to Rule 14a-12

under the Securities Exchange Act of 1934

Subject Company: Entropic Communications, Inc.

Commission File No.: 001-33844

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DISCLAIMER

Forward-Looking Statements

This presentation contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended. Forward-looking statements include, among others, statements concerning our future performance (including our LT model expectations); trends, growth opportunities, and estimated market sizes in specific product markets for broadband and other applications; and opportunities associated with new product offerings and our strategy to expand our addressable market through our recent acquisition of Physpeed and our entering a definitive agreement to acquire Entropic; our anticipated timing of the proposed merger and anticipated effects of the proposed merger with Entropic; prospects for the combined company, including expectations with respect to our intellectual property portfolio; expectations with respect to the growth strategies and addressable markets of the combined company; the products of the combined company after the proposed merger; anticipated synergies to be realized from the proposed merger; and the results of MaxLinear and Entropic. Forward-looking statements may contain words such as "will be," "will," "expected," and "anticipate," and expressions, and include the assumptions that underlie such statements. These forward-looking statements involve known and unknown risks and other factors that may cause actual results to be materially different from any future results expressed or implied by the forward-looking statements. Forward-looking statements are based on management's current, preliminary expectations and are subject to various risks and uncertainties affecting our business, operating results, financial condition, and stock price, include, among others, intense competition in our markets, a limited number of customers for a substantial portion of our revenues; uncertainties concerning how end user markets for our products will develop; user markets for the cable and satellite applications of our products as well as end user markets for products currently in development.

arising from continued consolidation among cable television operators; integration risks associated with our acquisition of Phy introduce new and enhanced products on a timely basis and achieve market acceptance of those products, particularly as we seek to enter new and historic markets; potential decreases in average selling prices for our products; limited trading volumes; risks relating to intellectual property litigation in our industry, including pending litigation against us by a third party with the United States Patent and Trademark Office, the Federal Communications Commission and in United States District Court in Delaware; our reliance on a limited number of third party manufacturers; and our contracts and dependence on limited sources of supply. Risks relating to our potential acquisition of Entropic include the potential for Entropic's stockholders to approve the proposed merger transaction; the potential failure to obtain regulatory approvals related to the acquisition and costs of closing, integrating, restructuring, and achieving currently anticipated synergies; the ability to retain key employees of Entropic or MaxLinear while the acquisition is pending and thereafter; and other factors generally affecting the business, operations, and financial performance of either MaxLinear or Entropic or the combined company. In addition to these risks and uncertainties, investors should review the risks contained in our filings with the Securities and Exchange Commission (SEC), including those set forth under the caption "Risk Factors" in our Report on Form 10-K for the year ended December 31, 2014 and our subsequent Quarterly Reports on Form 10-Q and our Current Reports on Form 8-K that we have filed and may file from time to time with the SEC. Unless otherwise indicated herein, all forward looking statements are based on the assumptions of MaxLinear as of the date of our February 9, 2015 press release announcing fourth quarter and fiscal year 2014 results and do not constitute confirmation or an update of previously provided guidance. MaxLinear is under no obligation (and expressly disclaims any obligation) to update or revise any forward-looking statements whether as a result of new information, future events, or otherwise.

Non-GAAP Financial Measures

This communication may contain certain non-GAAP financial measures, which management believes are useful to investors and analysts in making comparisons. Further detail and reconciliations between the non-GAAP financial measures and the GAAP financial measures are provided in the Appendix.

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MaxLinear

Investor

Relations

at

<http://investors.maxlinear.com/>,

at

IR@MaxLinear.com

or

by

telephone

at

(760)

517-1112

or

by

contacting

Entropic
Investor
Relations
at

<http://ir.entropic.com/>, ir@entropic.com

or by telephone at (858) 768-3852. The contents of the websites referenced above are not deemed to be incorporated by reference into the registration statement or the joint proxy statement/prospectus.

This communication does not constitute an offer to sell or the solicitation of an offer to buy any securities or a solicitation of a merger or otherwise. No offer of securities shall be made except by means of a prospectus meeting the requirements of Section 10(b) of the Securities Act of 1933. Each of Entropic and MaxLinear and their respective executive officers and directors may be deemed to be participants in the solicitation of proxies from the stockholders with respect to the transactions contemplated by the merger agreement. Information regarding the persons who may be deemed participants in the solicitation of MaxLinear or Entropic security holders in connection with the proposed merger will be set forth in the joint proxy statement/prospectus when filed with the SEC. Information regarding Entropic's executive officers and directors is included in Entropic's 2014 Annual Meeting of Stockholders, filed with the SEC on April 3, 2014, and its Current Report on Form 8-K, filed with the SEC on March 27, 2014. MaxLinear's executive officers and directors is included in MaxLinear's Proxy Statement for its 2014 Annual Meeting of Stockholders, filed with the SEC on December 16, 2014, and its Current Report on Form 8-K, filed with the SEC on December 16, 2014. Copies of the foregoing documents may be obtained at www.maxlinear.com and www.entropic.com. Information regarding the persons who may, under the rules of the SEC, be deemed participants in the solicitation of proxies in connection with the proposed merger, their direct and indirect interests in the proposed merger, will be set forth in the joint proxy statement/prospectus when it is filed with the SEC. The persons who may be deemed participants in the solicitation may differ from the interests of Entropic stockholders or MaxLinear stockholders as described in the joint proxy statement/prospectus when it becomes available.

No Offer or Solicitation

Additional Information and Where to Find It

Participants in the Solicitation

In connection with the proposed merger, MaxLinear intends to file a registration statement on Form S-4 with the SEC, which will include related materials to register the shares of MaxLinear Class A Common Stock to be issued in the proposed merger, and MaxLinear's proxy statement/prospectus and other documents concerning the proposed merger with the SEC. INVESTORS AND SECURITY HOLDERS SHOULD READ THE REGISTRATION STATEMENT, THE JOINT PROXY STATEMENT/PROSPECTUS, AND ANY OTHER RELEVANT SEC DOCUMENTS CAREFULLY WHEN THEY BECOME AVAILABLE BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION REGARDING THE PROPOSED MERGER. Investors and security holders will be able to obtain free copies of the registration statement and other documents (when they are available) and any other documents filed by MaxLinear and Entropic with the SEC at the SEC's website at www.sec.gov at

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Pioneer of Broadband CMOS Analog RF
semiconductors

World's first CMOS

digital cable & terrestrial TV tuner
Core RF technology platform has wide
range of applicability, including large
infrastructure markets
Rapid revenue growth & top tier customers
~ 27% 6 Year CAGR; 2014 Sales \$133M
Non-GAAP Profitable & focus on
improving operating leverage
Q4 2014
Gross Margin 61%

LEADER IN ANALOG RF & MIXED-SIGNAL FRONT-
END SEMICONDUCTORS

~370 Employees 75% engineering (25% PhDs, 80% MS+)
Sept. 2003 Founding
March 2010 IPO

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RAPID PRODUCT CYCLE REVENUE GROWTH &
TRANSFORMATION

480M+ RF CHIPS SHIPPED

Satellite markets driving new product revenue cycles in 2015

\$51
\$69
\$72
\$98
\$120
\$133
\$0
\$20
\$40
\$60
\$80
\$100
\$120
\$140
2009
2010
2011
2012
2013
2014

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TIER-1 CUSTOMERS, & MANUFACTURING
SUPPLIERS

Scalable, flexible, & fabless IC manufacturing supply chain

OEMS/ODMS

Manufacturing Partners

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MAXLINEAR

THE CONNECTION AT HOME

Tuner

Demodulator
RF
IF
Amplification
and Filtering

IF
Baseband

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Home Access Medium
Addressable Platforms

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KEY GROWTH DRIVERS
FATTER PIPES TO THE
HOME

Cloud Services &
Media Server Clients
Over-The-Top Video
Delivery
New Ultra HD video
(2K/4K/8K) Stds.

More
Bandwidth
More
Screens

=

More
Channels
OTT Video, New Ultra-HD TV Stds., Screen proliferation at

home, & Cloud services driving demand for higher bandwidth
Proliferation of
Screens at home

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CABLE DATA
BROADBAND PLATFORM
EVOLUTION
DOCSIS
2.0
DOCSIS
3.0
DOCSIS
3.0
DOCSIS
3.0
DOCSIS
3.1
4 CH
8 CH
16-24 CH
Single

channel

Screen

proliferation
in the Home

Channel

bonding

bandwidth

Burgeoning

OTT Video

Increased

symmetric

bandwidth

1 CH

24+ CH

Cable DOCSIS3.0/3.1 enable OTT Video & Cloud services

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BROADBAND PLATFORM EVOLUTION

CABLE &
SATELLITE VIDEO

Simple
STB
4-6
channel
Media-
Server
Gateway
Dual-
channel
video
STB
2011-12
2013
2014+

2010
Single
Channel
PVR or Time
Shift Video
More PVR
Capability
Home Aggregation
& Distribution

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Key growth drivers

New Ultra-HD video (2K/4K/8K) require 2x-to-4x the bandwidth of regular HD content

Drives Channel bonding

Multiple screen home driving Media-Gateway & IP Client architecture

Drives multiple channel capture & distribution

SATELLITE GATEWAY / SET-TOP BOX & OUTDOOR UNIT

(ODU) MARKET

KEY NEW REVENUE GROWTH DRIVER

MaxLinear Management's Best Estimate

2014

2018

\$

SAM

SAT ODU

SAT STB / Gateway

\$260M

\$500M

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Home
Network
LEVERAGING FSC
LEADERSHIP INTO END-TO-
END SATELLITE OPPORTUNITY
IP
Channel Stacking
D-ODU
Quad/Quattro
IP
Captures up to 10 GHz of Satellite Spectrum
FSC
TM
Lowest Power Technology for Gateways & ODUs
FSC
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FSC

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MAXLINEAR GROWTH STRATEGY

Telecom

Grow RF, Analog,

Mixed-Signal Content

in Current

Broadband, Access &

Home Connectivity

Diversify Across

Wired & Wireless

Communication

Network

Infrastructure

Drive Long-Term

Profitability and

Diversified Growth

Datacom

Wireless

Cable

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EXPANDING ADDRESSABLE MARKET THROUGH
ACQUISITIONS AND ORGANIC GROWTH

Note: Serviceable Addressable Market (SAM) data based on internal MaxLinear management estimates.

\$0.8B

\$2.8B

Broadband Cable,

Satellite, &

Terrestrial SAM

SAM

(\$ in billions)

Wireless Backhaul

Optical Datacom &

Telecom Network

Infrastructure

MoCA

Connectivity

Broadband Media

& Access

\$3.0

\$2.5

\$2.0

\$1.5

\$1.0

\$0.5

2014

2018

\$0.0

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OVERVIEW OF ENTROPIC ACQUISITION

Acquisition

Value

Pro Forma

Ownership

Closing

Conditions
and Timing

Estimated

Synergies and

EPS Accretion

Merger

Consideration

\$3.01 per Entropic share based on MaxLinear's closing price on 2/2/15

Approximately \$287M equity value and \$181M enterprise value

\$1.20 in cash and 0.2200 shares of MXL common stock per ENTR share

MaxLinear will assume outstanding and unvested options and RSUs

MaxLinear shareholders will own 65% and Entropic shareholders will own 35% of pro forma common shares outstanding

Dr. Ted Tewksbury will join MaxLinear's Board of Directors

\$20M+ of estimated cost synergies in first full calendar year post-close

Expected to be immediately accretive to non-GAAP EPS

Closing conditions include approval by MaxLinear and Entropic shareholders as well as customary regulatory approvals

Expected close in Q2 2015

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BUSINESS SNAPSHOT

San Diego, CA

San Diego, CA

2003

2001

>375 Issued & Pending

~1,500 Issued & Pending

\$32.5M

\$42.6M

61%

56%

\$79M

\$106M

Note: Entropic gross margin presented on a non-GAAP basis. See Appendix . GAAP gross margin of 50%.

Note: MaxLinear Q4 14 GAAP and non-GAAP gross margin guidance percentage are both 61%.

Note: MaxLinear cash balance as of 12/31/14 and Entropic cash balance as of 12/31/14.

HQ

Founded

Patents

Q4 14 Revenue

Q4 14 GM

Cash Balance

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Note: Figures
above
except
revenue
are
based
on
non-GAAP.
See
Appendix
for
reconciliation.

Note: MaxLinear GAAP and non-GAAP gross margin are both 61% to 62%.

*Note: Guidance as presented in Entropic press release dated 2/3/15. This slide does not constitute an update of previously pro

NON-GAAP FINANCIAL MODEL

Revenue
\$34M -

\$35M

\$45M -

\$46M

--

Gross Margin

61% to 62%

53%

60%+

Operating Expenses

\$18.5M

\$20M -

\$21M

35% -

40%

Operating Margin

7% -

8%

6% -

10%

20%+

o

\$300M+ in annual revenue

o

Targeting \$20M+ in operating synergies in first full calendar year post-close

o

Strong combined gross and operating margins

o

Significant cash flow and operating leverage potential

Long-Term

Model

Q1 2015

Guidance

Q1 2015

Guidance*

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TARGETING \$20M+ IN OPERATING SYNERGIES IN
FIRST FULL CALENDAR YEAR POST-CLOSE

Targets

- o Optimized customer-facing sales model
- o Supply chain efficiencies
- o R&D leverage for strategic platforms
- o Significant proximity-enabled G&A opportunities
- o Significant customer

overlap with
complementary products

o

Integration opportunities
with combined R&D
resources

o

Facilities and public
company overhead
redundancies

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Full Spectrum

Capture

Mixed-Signal

EXPANDING REACH FROM THE CLOUD, INTO

AND THROUGHOUT THE CONNECTED HOME

Home Networking

Cable

Infrastructure

Optical Datacom &

Telecom Network

Wideband

OFDM/OFDMA

Modem

High Speed

MAC H/W &

S/W

High Speed

MAC

Hi-Frequency

RF

(0-to-90GHz)

Gigabit QoS

Wireless

Infrastructure

COMBINED CAPABILITIES

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ENTROPIC ACQUISITION EXPANDS ANALOG &
MIXED-SIGNAL IN BROADBAND & ACCESS

MAXLINEAR

Analog /

Mixed-Signal

ENTROPIC

Mixed-Signal

Other RF /

Analog / Mixed

Signal

Digital

Baseband

RF

MoCA

Baseband

Processor

Cable, Satellite

& Access
RF Full
Spectrum
Capture
Frontend
PGA
WiFi
WiFi PA
Front End

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INCREASED RELEVANCE TO THE BROADBAND
ECOSYSTEM

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LEADER
IN
ANALOG

/
MIXED-SIGNAL

/
RF
IC

FOR HOME & NETWORK INFRASTRUCTURE

+
Extends leadership in analog, mixed-signal and RF ICs for
connected home and communications infrastructure markets

+
~ 1,900 Issued and pending combined patent portfolio

+
Immediately accretive to non-GAAP EPS

+

Increases revenue scale & improves operating leverage

+

Enables more content and differentiated solutions to customers

+

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FINANCIAL OVERVIEW

March 2015

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REVENUE, NET INCOME, AND GROSS MARGIN

\$16

\$18

\$19

\$16

\$17

\$18

\$18

\$19

\$21

\$24

\$28

\$25

\$27

\$30

\$32

\$32

\$33
\$36
\$33
\$32
\$-
\$5
\$10
\$15
\$20
\$25
\$30
\$35
\$40
2010
2011
2012
2013
2014
68%
70%
70%
66%
64%
63%
64%
61%
60%
62%
63%
63%
63%
62%
63%
61%
62%
63%
61%
61%
0%
5%
10%
15%
20%
25%
30%
35%
40%
45%
50%
55%

60%
65%
70%
75%
2010
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\$51
\$69
\$72
\$98
\$120
\$133
\$0
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\$140
2007
2008
2009
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2014
GAAP
Non GAAP
2.0
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2010
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Annual Revenue (in mills)

Quarterly Revenue (in mills)

Quarterly Net Income (in mills)

Quarterly Gross Margin (%)

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LIQUIDITY AND INVESTMENT CAPACITY

Cash and investments of \$79M with no debt enable

TAM expanding investments

EV of ~1.9x trailing revenue and \$2 in cash

and investments per fully diluted share

Roadmap to deliver meaningful operating

leverage on step-up in investment levels

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TARGET FINANCIAL MODEL

GAAP

2008

2009

2010

2011

2012

2013

2014

LT Model

Revenue

(M)

\$31

\$51

\$69

\$72

\$98

\$120

\$133

Gross
Margin

60%

67%

69%

63%

62%

61%

62%

~60%

R&D

46%

39%

40%

56%

47%

44%

43%

25% 27%

SG&A

20%

19%

23%

28%

28%

27%

26%

12% 15%

Op. Margin

(6%)

9%

6%

(21)%

(13)%

(10)%

(7)%

~20%

Note:

Fiscal

year-end

December

31.

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T-00PR

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TARGET FINANCIAL MODEL

Non-GAAP

2008

2009

2010

2011

2012

2013

2014

LT Model

Revenue

(M)

\$31

\$51

\$69

\$72

\$98

\$120

\$133

Gross
Margin

60%

67%

69%

63%

62%

62%

62%

~60%

R&D

45%

37%

37%

45%

37%

35%

34%

25% 27%

SG&A

20%

19%

21%

23%

19%

17%

18%

12% 15%

Op. Margin

(5%)

11%

11%

(5)%

6%

10%

10%

~20%

Note:

Fiscal

year-end

December

31.

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SUMMING UP: KEY TAKE-AWAYS

Legacy of superior technology and execution

Delivering breakthrough products and partnering
with industry technology leaders and Tier-1
global customers

Seasoned executive leadership and Best-in-Class
engineering team

Positioned to exploit exciting growth opportunities
in new and existing markets

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THANK YOU

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APPENDIX

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MAXLINEAR Q1 2015 OPERATING EXPENSES

RECONCILIATION TO GAAP

Q1 2015

(\$ in millions)

Guidance

GAAP Operating Expenses

\$27.5

Stock-Based Compensation

(4.0)

Stock-Based Bonus Plan Accrual

(1.4)

Physpeed Related Charges

(0.3)

IP Litigation

(0.5)

Entropic M&A Transaction Expenses

(2.8)

Non-GAAP Operating Expenses

\$18.5

Note: Guidance as presented in MaxLinear and Entropic press releases dated 2/3/15.

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ENTROPIC GROSS PROFIT & OPERATING
EXPENSES RECONCILIATION TO GAAP

Q1 2015

Guidance

GAAP Operating Expenses

\$26.3

-

\$27.3

Stock-Based Compensation

(3.0)

Restructuring and Impairment Charges

(2.0)

Amortization of Purchased Intangibles

(0.3)

IP Litigation

(0.0)

MaxLinear M&A Transaction Expenses

(1.0)

Non-GAAP Operating Expenses

\$20.0

-

\$21.0

Q4 2014

Q1 2015

Results

Guidance

Non-GAAP Gross Profit Percentage

56%

53%

Stock-Based Compensation

(0%)

(0%)

Amortization of Purchased Intangibles

(6%)

(6%)

GAAP Gross Profit Percentage

50%

47%

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Key drivers

Silicon tuner adoption in hybrid (analog/digital) televisions

Analog-to-Digital TV transition & new DTV Stds. drive set-top market

Key announcements

MxL601 hybrid TV tuner sets benchmark for performance and power

Single-Chip tuner-demod SoC for ISDBT-digital TV in Latin America for
Satellite PayTV operators

LEGACY TERRESTRIAL TV & SET-TOP-BOX

MARKET

2018

2013

\$220M

\$250M

\$ SAM

MaxLinear Management's Best Estimate

MaxLinear Confidential & Proprietary

T-00PR

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Key drivers of growth in Cable

OTT Video, Cloud services, Ultra-HD video
(2K/4K/8K) driving data bandwidth demand

Multiple channel capture & distribution to multiple
screens over IP in Media servers

Emerging DOCSIS 3.1 standard

Cloud services

CABLE: DATA & MEDIA GATEWAY AND
INFRASTRUCTURE MARKETS

MaxLinear Management's Best Estimate

\$340M

\$525M

2014

2017
\$ SAM
Data
Video
Infrastructure

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T-00PR

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OPPORTUNITY
CURRENTLY ADDRESSED
BROADBAND MARKETS
Growing SAM
2013 Revenue less than 15% of SAM
MaxLinear Management's Best Estimate
2014
2018
CURRENT
MARKETS \$ SAM
TERRESTRIAL
CABLE
SATELLITE
\$800M
\$1.3B

MaxLinear Confidential & Proprietary

T-00PR

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What We Bring To The Market:

History of innovation in ultra-high performance data converters and DSP

Demonstrated execution of advanced modulation techniques

Best in class reach and throughput with industry leading lower power solutions

PHYSPEED ACQUISITION: EXPANSION INTO OPTICAL INTERCONNECT MARKET

MaxLinear Management's Best Estimate

2014

2018

\$83M

\$670M

\$ SAM
SERDES
Clock & Data Recover
Modulator
Transimpedance Amplifier

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T-00PR

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2013/14
Sat Digital ODU
FULL SPECTRUM CAPTURE (FSC)
TECHNOLOGY
2011 Cable Gateway
2012/13
Satellite Gateway
FSC
TM
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Lowest
power,
smallest
footprint
multichannel
tech
Cable or Satellite Channel Spectrum

Full Spectrum
Capture
Single
channel tuner
Wi-Fi