

# Investor Fact Sheet – Q4 2018



## Key Investment Considerations:

Cypress is uniquely positioned for strong revenue and cashflow growth

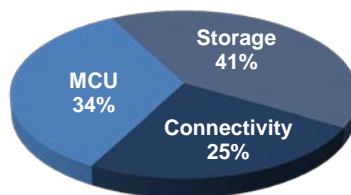
- **Growth.** Focused on the high-growth Internet of Things (“IoT”) and Auto markets
- **Diversification.** Broad product line, channel and customer base (none >10%) <sup>(1)</sup>
- **Margins.** Differentiated Wi-Fi, Bluetooth, MCU, Storage and Software
- **Leverage in model.** EPS growing significantly faster than revenue
- **Cashflow.** Strong cashflow for capital returns to shareholders
- **Execution.** Extending Cypress product adoption through cross-selling & content gains

**NASDAQ:** CY  
**SHARES O/S:** 362M  
**REV Q418:** \$604M  
**DIVIDEND YIELD:** 3.5% <sup>(2)</sup>  
**EMPLOYEES (Q4'18):** 5,846

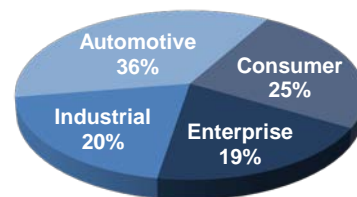
- #1 in IoT Wi-Fi®/Bluetooth® Combos
- #1 in Auto Instrument Cluster MCUs
- #1 in Auto NOR Flash Memory
- #1 in Auto Touch Controllers
- #1 in Secure, Ultra-Low Power MCUs
- #1 in USB-C Controllers
- #1 in USB Solutions

## Q4 2018 Revenue

### By Solution



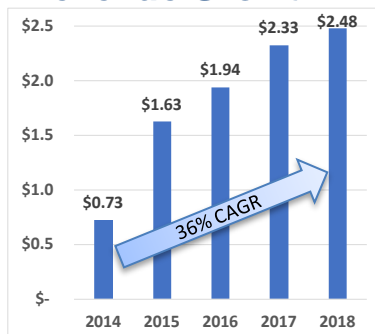
### By End Market



US\$ in Million	Annual	
	2017	2018
Revenue	\$2,327.8	\$2,483.8
Non-GAAP Gross Profit	982.8	1,162.0
Non-GAAP R&D	317.5	328.4
Non-GAAP SG&A	273.5	266.3
Non-GAAP Operating Income	391.8	567.3
Non-GAAP Diluted EPS	\$ 0.89	\$ 1.36
Adjusted EBITDA	\$ 459.4	\$ 633.6
Free Cash Flow	\$ 351.5	\$ 408.6
<b>% of Sales</b>		
Non-GAAP Gross Margin %	42.2%	46.8%
Non-GAAP R&D %	13.6%	13.2%
Non-GAAP SG&A %	11.7%	10.7%
Non-GAAP Operating Margin %	16.8%	22.8%

	Quarterly				Q119 Outlook
	Q118	Q218	Q318	Q418	
Revenue	\$582.2	\$624.1	\$673.0	\$604.5	\$520 - \$550
Non-GAAP Gross Profit	267.4	289.3	316.2	289.2	
Non-GAAP R&D	86.0	82.4	82.3	77.7	
Non-GAAP SG&A	67.8	67.5	67.7	63.3	
Non-GAAP Operating Income	113.6	139.4	166.2	148.1	
Non-GAAP Diluted EPS	\$ 0.27	\$ 0.33	\$ 0.40	\$ 0.35	\$0.22 - \$0.26
Adjusted EBITDA	\$130.7	\$155.6	\$182.6	\$164.6	
Free Cash Flow	\$ 14.7	\$ 85.1	\$171.6	\$137.1	
<b>% of Sales</b>					
Non-GAAP Gross Margin %	45.9%	46.3%	47.0%	47.8%	46.0% - 46.5%
Non-GAAP R&D %	14.8%	13.2%	12.2%	12.9%	
Non-GAAP SG&A %	11.6%	10.8%	10.1%	10.5%	
Non-GAAP Operating Margin %	19.5%	22.3%	24.7%	24.5%	

## Revenue Growth



## High-Growth Markets

Long-term Revenue Growth <sup>(3)</sup>	
Connectivity	16-18%
MCU / PSoC	5-7%
Memory	(2-5%)
<b>Total</b>	<b>7-9%</b>

## Target Model

Long-term Financial Model <sup>(4)</sup>	
Gross Margin	50%
Operating Expense	< 30%
Operating Margin	> 20%
Cash	\$150M
Net Debt/Adj EBITDA (LTM)	< 2.0x

\*Non-GAAP results. Please refer to pages 3-4 for comparable GAAP results and reconciliations to GAAP. Certain fiscal 2017 amounts have been revised. For details, please refer to our Form 10-K filed Feb. 26, 2018.

This document contains forward-looking statements, including the outlook, our long-term revenue growth projections, and the long-term financial model. Risks and uncertainties could cause actual results to differ materially from the results anticipated by the forward-looking statements, and historical results should not be considered as an indication of future performance. Additional information on important risk factors and uncertainties that could cause such differences can be found in Cypress' SEC filings, including our most recent Forms 10-K and 10-Q. Except as otherwise stated, all information in this fact sheet is as of January 31<sup>st</sup>, 2019. Cypress does not intend, and undertakes no duty, to update this information to reflect subsequent events or circumstances.

## Tier 1 Customer List

No customer greater than 10% of revenue<sup>(1)</sup>

Consumer	Automotive	Industrial	Enterprise

## Broadest IoT product offering in the industry

Connectivity	MCU	Storage
<p>Key Products:</p> <ul style="list-style-type: none"> <li>• Wi-Fi</li> <li>• Bluetooth/BLE</li> <li>• USB-C</li> <li>• USB 3.0</li> </ul>	<p>Key Products:</p> <ul style="list-style-type: none"> <li>• PSoC® programable MCU</li> <li>• CapSense® capacitive sensing</li> <li>• Traveo® auto MCU</li> <li>• 8/16-bit MCU</li> </ul>	<p>Key Products:</p> <ul style="list-style-type: none"> <li>• NOR</li> <li>• SRAM</li> <li>• FRAM</li> <li>• Specialty Memories</li> </ul>

### Management Team

#### Hassane El-Khoury

President, Chief Executive Officer,  
Member of Board of Directors

#### Thad Trent

Chief Financial Officer

#### Wei-Chung Wang

WW Manufacturing

#### Michael Balow

WW Sales and Applications

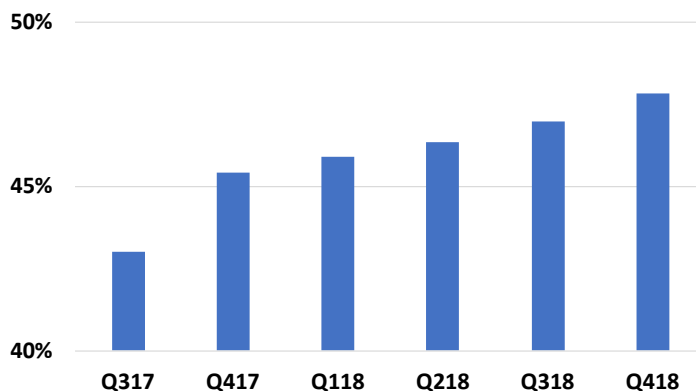
#### Sam Geha

Memory Products

#### Sudhir Gopalswamy

Microcontroller & Connectivity

### Quarterly Non-GAAP Gross Margin



### Board of Directors

W. Steve Albrecht, Chairman

Hassane El-Khoury, CEO

Oh Chul Kwon

Catherine P. Lego

Camillo Martino

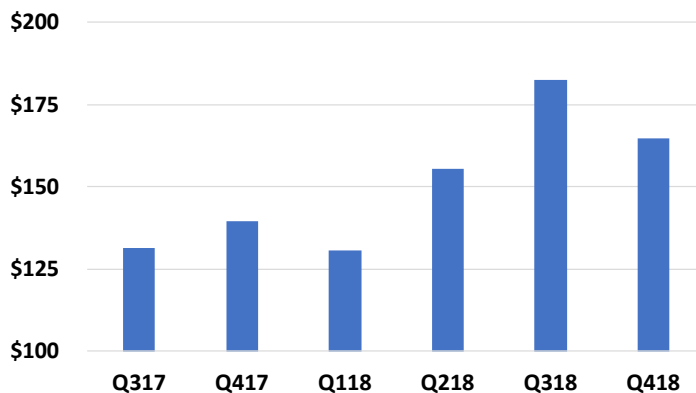
J. Daniel McCranie

Jeffrey J. Owens

Jeannine Sargent

Michael S. Wishart

### Quarterly Adjusted EBITDA



**Corporate Headquarters**  
198 Champion Court  
San Jose, CA 95134 USA  
Tel: +1-408-943-2600

(1) Two distributors accounted for 17% and 14% of revenue in Q4'18

(2) Dividend yield is calculated as our annualized dividend (i.e., our most recent quarterly per-share dividend multiplied by four) divided by the closing market price of CY stock on 12/28/18. No assurance is given regarding future dividends.

(3) Long-term revenue growth projections above are Cypress' estimate of the compound annual growth rate (CAGR) expected in each identified segment of the overall market from a base year of 2017 through 2021.

(4) The long-term financial model describes financial objectives Cypress hopes to achieve over several years and is inherently speculative and uncertain. Cypress' long-term objectives are subject to business, economic, competitive, industry, regulatory, market, and financial uncertainties, many of which are beyond Cypress' control. All descriptions of the financial model are subject to the cautionary note above regarding forward-looking statements. We cannot assure you that the estimates and assumptions made in preparing the long-term objectives will prove accurate; and Cypress' long-term financial model might not be achieved.

### Investor Relations Contact

Colin Born

VP, Corporate Development &  
Investor Relations  
[investorrelations@cypress.com](mailto:investorrelations@cypress.com)

# Reconciliation of GAAP Measures to Non-GAAP Measures

	FY18	FY17	Q4'18	Q3'18	Q2'18	Q1'18	Q4'17
GAAP Gross Profit	\$ 931,455	\$ 781,935	\$ 225,210	\$ 259,715	\$ 234,138	\$ 212,392	\$ 222,385
GAAP Gross Margin %	37.5%	33.6%	37.3%	38.6%	37.5%	36.5%	37.2%
Stock-based compensation	16,531	15,605	3,842	5,120	3,986	3,584	3,001
Amortization of Intangibles and other	200,024	174,981	49,583	51,565	49,438	49,438	44,199
Restructuring costs, including severance	3,271	548	135	(340)	1,589	1,887	317
Loss on assets held for sale <sup>1</sup>	10,869	—	10,869	—	—	—	—
Changes in value of deferred compensation plan	(169)	603	(468)	136	102	61	92
Merger, integration and related costs, and adjustments related to assets held for sale	—	9,090	—	—	—	—	1,334
Non-GAAP Gross Profit	\$ 1,161,981	\$ 982,762	\$ 289,171	\$ 316,196	\$ 289,253	\$ 267,362	\$ 271,328
Non-GAAP Gross Margin %	46.8%	42.2%	47.8%	47.0%	46.3%	45.9%	45.4%

	FY18	FY17	Q4'18	Q3'18	Q2'18	Q1'18	Q4'17
GAAP Operating Income (Loss)	\$ 164,428	\$ 78,093	\$ 2,740	\$ 75,081	\$ 50,846	\$ 35,762	\$ 41,694
GAAP Operating Margin %	6.6%	3.4%	0.5%	11.2%	8.1%	6.1%	7.0%
Stock-based compensation	95,963	91,582	19,403	24,195	33,907	18,458	23,065
Changes in value of deferred compensation plan	(2,176)	7,367	(5,571)	1,571	1,141	683	1,098
Merger, integration and related costs, and adjustments related to assets held for sale	—	4,204	—	—	—	—	1,200
Inventory step-up related to acquisition accounting	—	3,735	—	—	—	—	—
Amortization of acquisition-related intangible assets and other	218,149	195,256	53,893	55,875	53,793	54,588	49,224
Restructuring charges	16,842	9,087	1,516	9,991	1,239	4,096	5,618
Gain on sale of cost method investment	(1,521)	—	—	—	(1,521)	—	—
Acquisition costs	119	—	—	119	—	—	—
Loss on assets held for sale <sup>1</sup>	76,591	—	76,591	—	—	—	—
Settlement charges	(1,073)	2,500	(468)	(605)	—	—	(1,000)
Non-GAAP Operating Income	\$ 567,323	\$ 391,821	\$ 148,104	\$ 166,227	\$ 139,405	\$ 113,587	\$ 120,899
Non-GAAP Operating Margin %	22.8%	16.8%	24.5%	24.7%	22.3%	19.5%	20.2%
Depreciation	66,299	67,577	16,527	16,393	16,239	17,140	18,701
Adjusted EBITDA	\$ 633,622	\$ 459,399	\$ 164,631	\$ 182,620	\$ 155,644	\$ 130,727	\$ 139,600

	FY18	FY17	Q4'18	Q3'18	Q2'18	Q1'18	Q4'17
GAAP Net Income (Loss) attributable to Cypress	\$ 354,592	\$ (80,915)	\$ 267,114	\$ 50,695	\$ 27,706	\$ 9,078	\$ (34,012)
GAAP Diluted EPS	\$ 0.95	\$ (0.24)	\$ 0.72	\$ 0.14	\$ 0.07	\$ 0.02	\$ (0.10)
Stock-based compensation	95,963	91,582	19,403	24,195	33,907	18,458	23,066
Changes in value of deferred compensation plan	728	1,277	(170)	463	18	417	(112)
Merger, integration and related costs, and adjustments related to assets held for sale	—	4,214	—	—	—	—	1,210
Inventory Step-up related to acquisition accounting	—	3,736	—	—	—	—	—
Loss on assets held for sale <sup>1</sup>	76,591	—	76,591	—	—	—	—
Equity in net loss and impairment of equity method investees <sup>2</sup>	57,369	71,772	46,496	3,657	3,755	3,461	56,930
Imputed interest on convertible debt and other	21,672	20,537	4,246	6,782	4,415	6,229	1,393
Settlement charges	(2,184)	2,500	(309)	(1,892)	(377)	394	(1,000)
Amortization of Intangibles and other	218,149	195,255	53,893	55,875	53,793	54,588	49,224
Restructuring costs, including severance	16,842	9,932	1,516	9,991	1,239	4,096	5,618
Gain on sale of cost method investment	(1,521)	—	—	—	(1,521)	—	—
Loss on extinguishment of debt	1,533	4,250	—	—	—	1,533	7,246
Acquisition costs	119	—	—	119	—	—	—
Tax impact of Non-GAAP adjustments	(330,879)	118	(337,790)	2,840	2,029	2,042	(4,876)
Non-GAAP Net Income	\$ 508,975	\$ 324,257	\$ 130,990	\$ 152,725	\$ 124,964	\$ 100,296	\$ 104,687
Non-GAAP Diluted EPS	\$ 1.36	\$ 0.89	\$ 0.35	\$ 0.40	\$ 0.33	\$ 0.27	\$ 0.28

	FY18	FY17	Q4'18	Q3'18	Q2'18	Q1'18	Q4'17
GAAP R&D	\$ 363,996	\$ 362,931	\$ 82,379	\$ 91,691	\$ 96,693	\$ 93,233	\$ 94,566
GAAP R&D % of Revenue	14.7%	15.3%	13.6%	13.6%	15.5%	16.0%	15.8%
Stock Based Compensation	35,114	36,804	6,395	8,206	13,800	6,713	8,050
Changes in Value of Deferred Compensation Plan	(971)	2,826	(2,377)	667	467	272	389
Merger, integration and related costs and adjustments related to assets held for sale	—	(96)	—	—	—	—	—
Restructuring charges	1,785	5,915	944	516	33	292	3,205
Settlement charges	(309)	—	(309)	—	—	—	—
Non-GAAP R&D	\$ 328,377	\$ 317,482	\$ 77,726	\$ 82,302	\$ 82,393	\$ 85,956	\$ 82,922
Non-GAAP R&D % of Non-GAAP Revenue	13.2%	13.6%	12.9%	12.2%	13.2%	14.8%	13.9%

	FY18	FY17	Q4'18	Q3'18	Q2'18	Q1'18	Q4'17
GAAP SG&A	\$ 403,030	\$ 326,649	\$ 140,091	\$ 92,943	\$ 86,599	\$ 83,397	\$ 86,125
GAAP SG&A % of Revenue	16.2%	14.0%	23.2%	13.8%	13.9%	14.3%	14.4%
Stock Based Compensation	44,317	39,173	9,166	10,869	16,121	8,161	12,014
Changes in Value of Deferred Compensation Plan	(1,036)	3,936	(2,726)	768	572	350	617
Merger, integration and related costs and adjustments related to assets held for sale	—	(1,057)	—	—	—	—	(135)
Loss on assets held for sale <sup>1</sup>	65,722	—	65,722	—	—	—	—
Amortization of Acquisition-Related intangible assets	18,125	20,323	4,310	4,310	4,355	5,150	5,025
Acquisition costs	119	—	—	119	—	—	—
Gain on sale of cost method investment	(1,521)	—	—	—	(1,521)	—	—
Restructuring charges	11,786	2,625	437	9,815	(383)	1,917	2,097
Settlement charges	(764)	(1,000)	(159)	(605)	—	—	(1,000)
Non-GAAP SG&A	\$ 266,282	\$ 262,649	\$ 63,341	\$ 67,667	\$ 67,455	\$ 67,819	\$ 67,507
Non-GAAP SG&A % of Non-GAAP Revenue	10.7%	11.3%	10.5%	10.1%	10.8%	11.6%	11.3%

Q1'19 GAAP estimate<sup>3</sup>

(A)

Adjustments (B)

Q1'19 Non-GAAP estimate

(C)=(A)+(B)

	Amortization of intangibles		Share-based compensation expense		Other items	
Gross Margin	36.0% - 37.0%	8.5% - 9.0%	0.7%	0.3%	46.0% - 46.5%	
Diluted earnings per share	\$0.00 to \$0.04	\$ 0.14	\$ 0.05	\$ 0.03	\$0.22 to \$0.26	

<sup>1</sup> Q4'18 relates to our entry into a definitive agreement to divest the NAND business.

<sup>2</sup> Q4'18 includes \$41.5 million impairment charge recorded for equity-method investment in Deca Technologies Inc. Q4'17 includes \$51.2 million impairment charge recorded for equity-method investment in Enovix Corporation.

<sup>3</sup> GAAP outlook does not include any impact from the planned disposition of our NAND business to the joint venture with SK Hynix system ic Inc., which is expected to occur in the second quarter of 2019.