

# Acquisition of PMC





*October 19, 2015*

# Disclaimer

## Cautionary Note Concerning Forward-Looking Statements

Statements in this presentation regarding Microsemi's offer to acquire PMC-Sierra Inc. ("PMC"), the financing and expected timing of the proposed transaction, the potential benefits of the acquisition (including potentially accretive and synergistic benefits), Microsemi's expected future performance (including expected results of operations and financial guidance), the combined company's future financial condition, operating results, strategy and plans, and all other statements in this presentation other than the recitation of historical facts are forward-looking statements. These statements are based on current expectations or beliefs, as well as a number of assumptions about future events, and are subject to factors and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements. Potential risks and uncertainties include, but are not limited to, such factors as the ultimate outcome of any possible transaction between Microsemi and PMC, including the possibilities that Microsemi will not pursue a transaction with PMC or that PMC will reject a transaction with Microsemi; if a transaction between Microsemi and PMC were to occur, the ultimate outcome and results of integrating the operations of Microsemi and PMC, the ultimate outcome of Microsemi's operating strategy applied to PMC and the ultimate ability to realize synergies; the effects of the business combination of Microsemi and PMC, including the combined company's future financial condition, operating results, strategy and plans; negative or worsening worldwide economic conditions or market instability; downturns in the highly cyclical semiconductor industry; and difficulties in closing or disposing of operations or assets or transferring work, assets or inventory from one plant to another. In addition to these factors and any other factors mentioned elsewhere in this news release, the reader should refer as well to the factors, uncertainties or risks identified in Microsemi's most recent Form 10-K and any subsequent Form 10-Q reports filed by Microsemi with the SEC. Additional risk factors may be identified from time to time in Microsemi's future filings. The forward-looking statements included in this presentation speak only as of the date hereof, and Microsemi does not undertake any obligation to update these forward-looking statements to reflect subsequent events or circumstances.

# MSCC + PMCS = A World Class Platform

	 <b>Microsemi</b> 			<b>Pro Forma LTM (with synergies) <sup>(1)</sup></b>
<b>Revenue</b>	\$1,220	\$530		<b>\$1,750</b>
<b>Gross Margin</b>	57%	70%		<b>~60%</b>
<b>Operating Margin</b>	25%	17%		<b>~30%</b>
<b>EBITDA</b>	\$335	\$110		<b>\$602</b>

- 1 Expands Microsemi's portfolio of high-performance mixed-signal solutions
- 2 Complements optical and switching portfolios, and accelerates existing data center growth effort
- 3 Immediate opportunity to increase content with improved solution sell and go-to-market strategy
- 4 Increases Microsemi's scale, EBITDA (>\$600 million) and EPS (accretion greater than \$0.60)

(\$MM)

Note: Historical financials based on Company filings. LTM figures as of 6/30/15. Gross/operating margin and EBITDA based non-GAAP measures.

Note: EBITDA calculated as non-GAAP operating income plus depreciation.

(1) EBITDA pro forma for Vitesse synergies, PMC standalone July 2015 restructuring and \$100 million of transaction-related synergies.

# Transaction Overview

## Per Share Consideration

- \$11.50 per PMC-Sierra share comprised of:
  - \$8.75 in cash consideration
  - \$2.75 in stock consideration (0.0736 x-ratio based on Microsemi stock price of \$37.36 as of 10/16/15)

## Transaction Value

- \$2.4 billion equity value / \$2.2 billion enterprise value, net of PMC's net cash position
- Microsemi to assume all unvested RSUs

## Synergies and EPS Impact

- Anticipated \$100+ million of cost savings in first full year, with \$75 million in annual operating synergies realized in the first full quarter of combined operations
- Immediately accretive to non-GAAP EPS
- Expect more than \$0.60 in non-GAAP EPS accretion during first 12 months post close

## Financing

- Morgan Stanley Senior Funding, Inc. provided \$2.925 billion debt commitment (term facilities, RCF)
  - Includes refinancing of existing debt outstanding
- PMC shareholders will own approximately 15% of the pro forma company
- Blended interest rate on debt expected to be approximately 4.25% – 4.50%

## Merger Agreement and Timing

- Delivered merger agreement that is superior to Skyworks merger agreement
- Offered option to modify structure to an Exchange Offer
- Intent to close in 2015, depending on timing of PMC's Board approval

## Approval Process

- Approval by PMC's shareholders
- Customary regulatory approvals, transaction not subject to approvals by foreign government entities including those in China

## Premium

- Close 10/5/15: 50%\*

\* PMC closing price of \$7.69 prior to announcement of Skyworks proposal.

# Superior Proposal for PMC Shareholders

Meaningful premium to currently proposed offer

Cash consideration provides significant liquidity with incremental upside from Microsemi stock

Microsemi proposal has no conditions, with ability to close as early as late December 2015, and not subject to approvals by foreign government entities including China

Extensive understanding of PMC's products and end markets

Morgan Stanley Senior Funding, Inc. agreement to provide committed financing

Term and conditions superior to Skyworks merger agreement, modified for stock component

# PMC Snapshot

## Quick Facts

- Founded: 1984
- IPO Date: 1991
- Status: Public – NASDAQ: PMCS
- Headquarters: Sunnyvale, CA
- Other Locations: Canada, Italy, Israel, China, India, Malaysia
- Employees: ~1,200
- IP: 688 granted U.S. patents and 128 pending U.S. patents

## What PMC Does

PMC provides innovative semiconductor and software solutions that connect, move and store Big Data

### Storage

- LTM Revenue: \$380mm
- CY14 SAM: \$1.3B
- CY17 SAM: \$1.9B (13% CAGR)

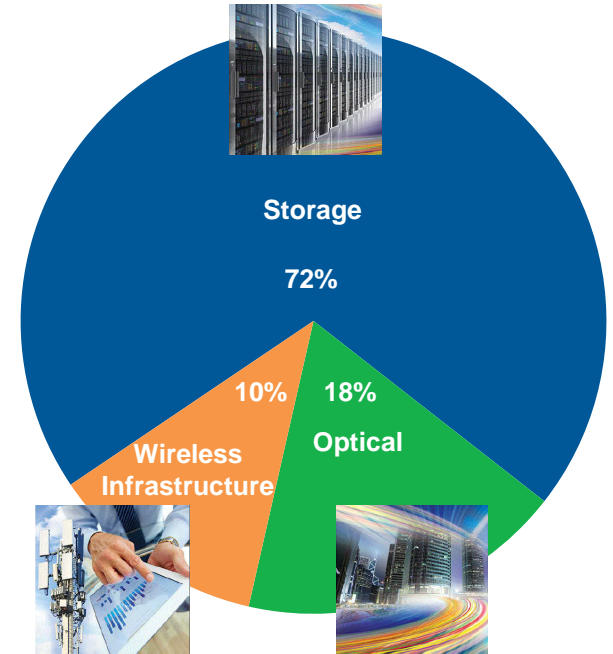
### Optical

- LTM Revenue: \$94mm
- CY14 SAM: \$410mm
- CY17 SAM: \$565mm (11% CAGR)

### Wireless Infrastructure

- LTM Revenue: \$56mm
- CY14 SAM: \$550mm
- CY17 SAM: \$560mm (1% CAGR)

## PMC Revenue by Market (LTM)



## PMC's Customers are the Largest in the Storage and Comms Markets:

### Storage Customers



### Communications Customers



Note: LTM financial figures as of 6/27/15.  
\*10% customer in 1H 2015.

# Strategic and Financially Compelling Transaction



## Strategically Compelling

Accelerates data center penetration and adds exposure to cloud storage and hyperscale computing

Transformative to communications business; solidifies position in networking, routing and switching and newly acquired Ethernet and storage assets

Differentiated technology portfolio with significant barriers to entry and defensible margin structure

## Significant Value Creation

Immediately and significantly accretive to non-GAAP EPS (greater than \$0.60)

Augments industry leading profitability profile

Anticipated \$100+ million in total cost synergies in first full year, with \$75 million in annual operating savings realized in the first full quarter of combined operations

# Complementary Business Platforms



Power

Timing

RF,  
Microwave &  
MM Wave

FPGA

Controllers &  
Switches

OTN  
Processors

Mobile  
Processors

Optimized Systems



Aerospace & Defense

Industrial

Communications

Storage



NORTHROP GRUMMAN

SIEMENS

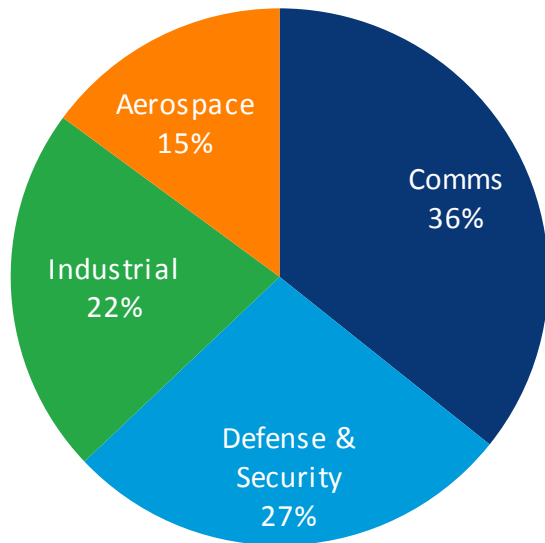




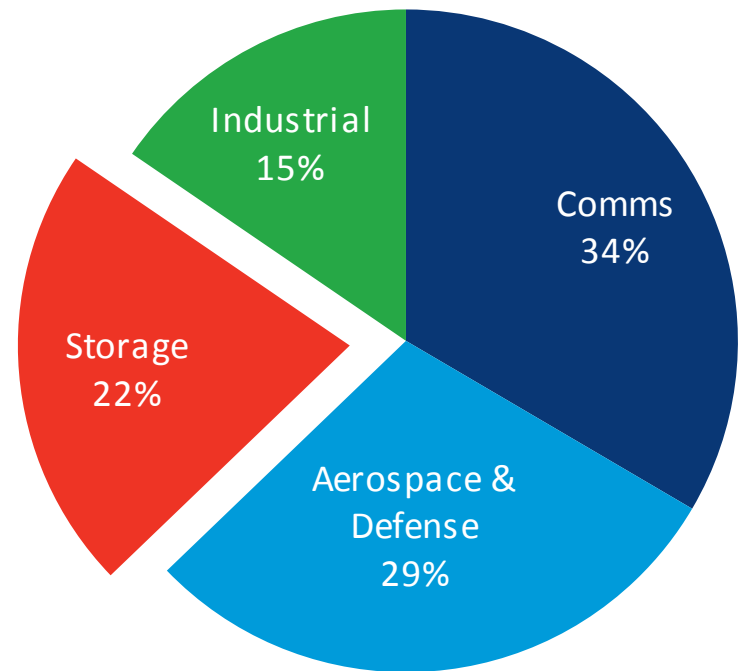
# Acquisition Diversifies End Market Exposure



LTM Revenue: \$1,220mm

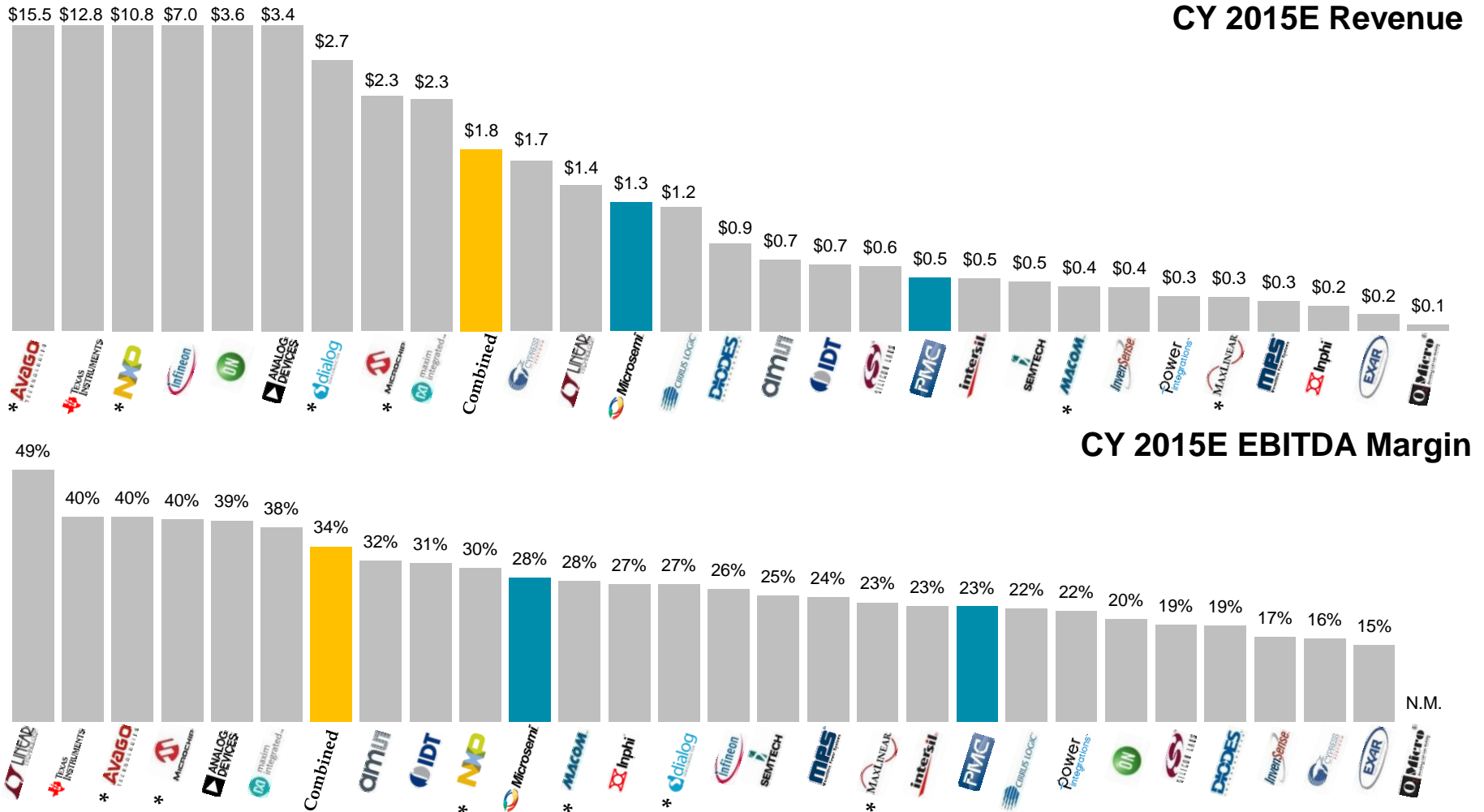


LTM Revenue: \$1,750mm



Note: LTM as of 6/30/15.  
Note: Pro forma Comms includes PMC Optical and Mobile Infrastructure revenues.

# Top 10 Analog / Mixed-Signal Company



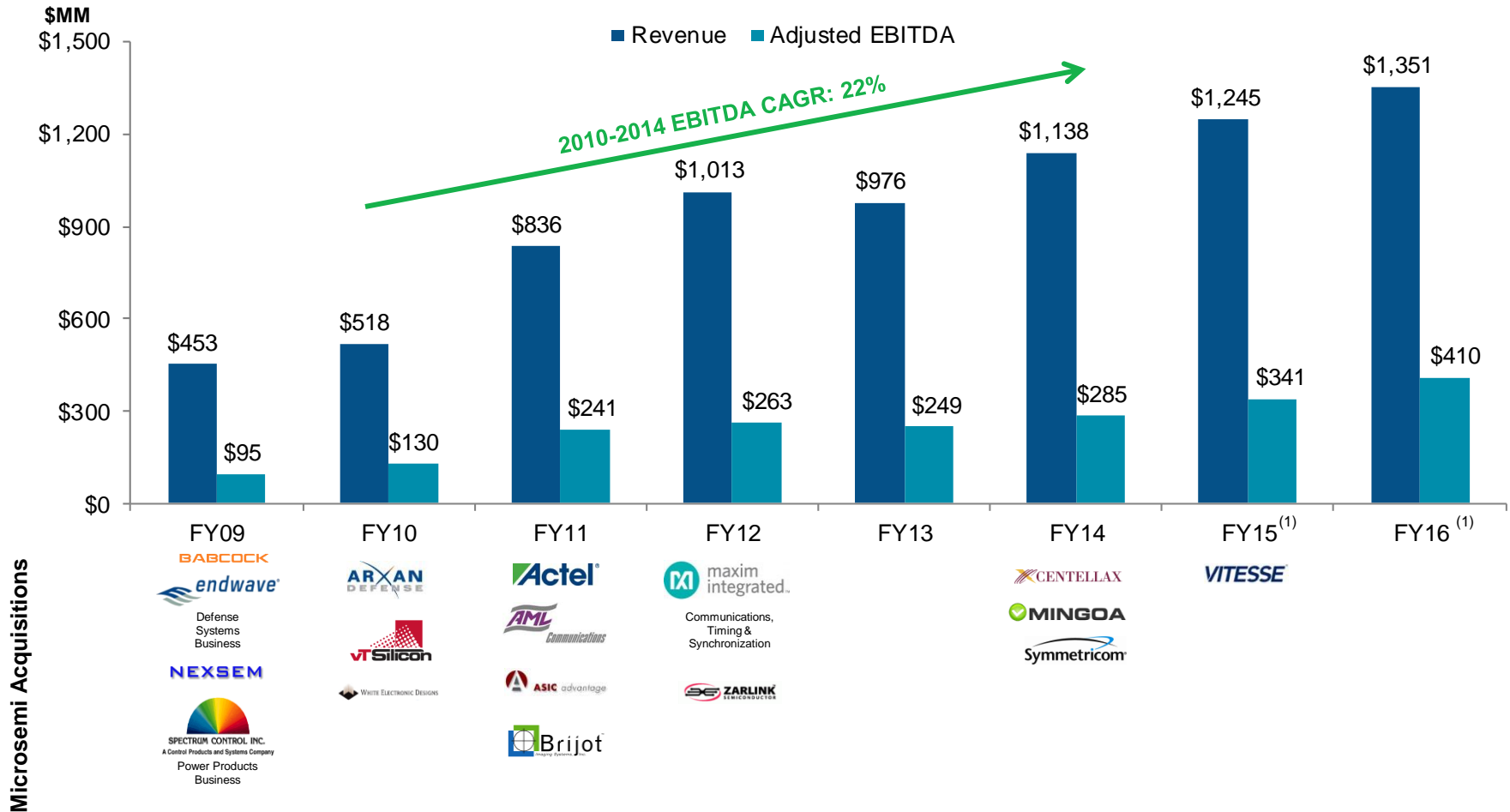
(\$ in billions)

Source: Company filings, Company press releases, Capital IQ and FactSet estimates as of 10/16/15.

\* Avago financials pro forma for acquisition of Broadcom and include \$750M announced synergies; NXP financials pro forma for acquisition of Freescale and include \$200M announced synergies; Dialog financials pro forma for acquisition of Atmel and include \$150M announced synergies; Microchip financials pro forma for acquisition of Micrel; M/A-COM financials pro forma for divestiture of automotive business. MaxLinear financials pro forma for acquisition of Entropic.

Note: PMC and Intersil projected EBITDA calculated as non-GAAP operating income plus depreciation. Combined EBITDA includes synergies from both PMC and Vitesse.

# Successful M&A Track Record



(1) Based on FactSet estimates as of 10/16/15.

# Scale-Derived Synergy Opportunities

## Sales & Marketing

- (+) Consolidated global efforts and solution sell capability
- (+) Enhanced visibility into customer needs
- (+) Increased relevance to distribution partners



## Research & Development

- (+) Realigned resources and elimination of redundant spend
- (+) Expanded and complementary IP portfolio → delivery of innovative solutions with minimal incremental costs
- (+) Enhanced technological know-how



**\$100M+ of Synergies**  
*(\$75M in First Full Combined Quarter)*

## General & Administrative

- (+) Eliminate duplicative G&A costs, including public company expenses
- (+) Consolidation of overlapping facilities
- (+) Sophisticated and streamlined business processes



## Supply Chain

- (+) Optimized procurement costs due to higher volumes
- (+) Reduced assembly / test costs
- (+) Consolidated wafer / backend processes



# Transaction Financing

## Credit Facility

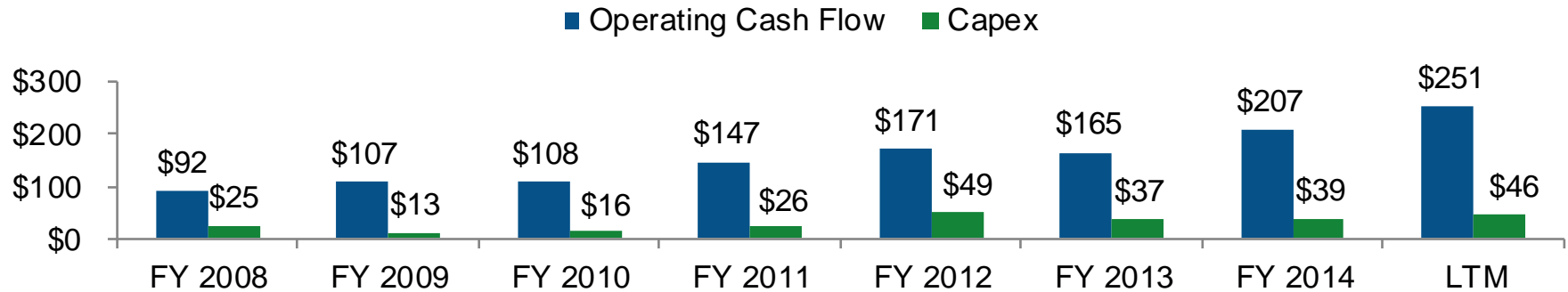
- \$2,575 million term loan facilities
- \$350 million revolving credit facility
- Weighted-average all-in interest rate of approximately 4.25% – 4.50%

## Pro Forma Capitalization Statistics

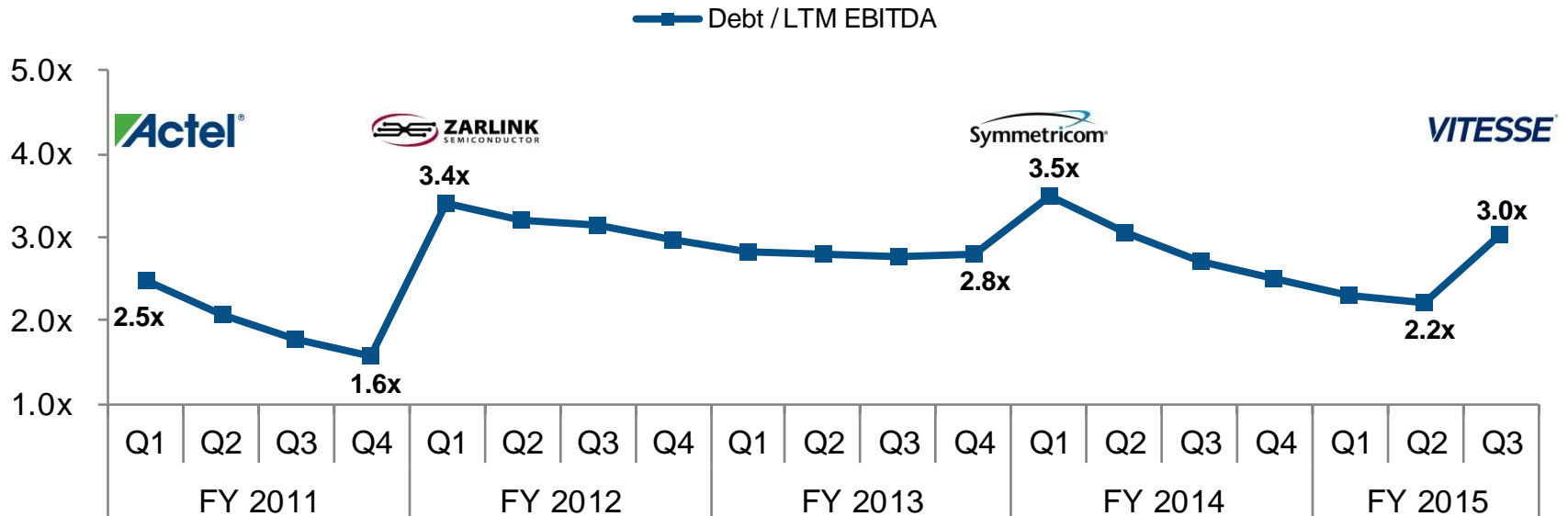
	(\$B)	Expected at closing (\$100M+ Synergies)	12 Month Target	18 Month Target
<b>Gross Debt</b>	<b>\$2.7</b>	<b>4.5x</b>	<b>3.5x</b>	<b>3.0x</b>
<b>Cash</b>	<b>\$0.2</b>	<b>0.3x</b>		
<b>Net Debt</b>	<b>\$2.5</b>	<b>4.2x</b>		

# Experience Managing and Paying Down Debt

## Strong Cash Generation (Microsemi Standalone)



## Historical Debt / LTM EBITDA (Microsemi Standalone)



Source: Company filings.  
(\$MM, FYE 9/30)

# Transaction Summary

**Creates industry leading profitability model**  
*(60%+ GM and 30%+ OM)*

**Provides strong combined cash flow generation**  
*(\$600M+ of pro forma EBITDA)*

**Adds significant EPS accretion**  
*(>\$0.60 in first year)*

**Adds strong technology, product and IP portfolio**  
*(PMC maintains storage and comms leadership)*

**Expands SAM in high growth markets**  
*(PMC adds \$3B of incremental SAM by 2017)*

**Accelerates existing data center growth effort**  
*(Complements growing optical and switching portfolios)*

# Additional Legal Disclaimers

## Additional Information and Where to Find It

This communication does not constitute an offer to buy or solicitation of an offer to sell any securities. This communication relates to a proposal which Microsemi Corporation (“Microsemi”) has made for a business combination transaction with PMC-Sierra Inc. (“PMC”). In furtherance of this proposal and subject to future developments, Microsemi (and, if a negotiated transaction is agreed to, PMC) may file one or more registration statements, prospectuses, proxy statements or other documents with the U.S. Securities and Exchange Commission (“SEC”). This communication is not a substitute for any registration statement, prospectus, proxy statement or other document Microsemi and/or PMC may file with the SEC in connection with the proposed transaction. INVESTORS AND SECURITY HOLDERS OF MICROSEMI AND PMC ARE URGED TO READ THE REGISTRATION STATEMENT, PROSPECTUS, PROXY STATEMENT AND OTHER DOCUMENTS FILED WITH THE SEC CAREFULLY IN THEIR ENTIRETY IF AND WHEN THEY BECOME AVAILABLE AS THEY WILL CONTAIN IMPORTANT INFORMATION ABOUT THE PROPOSED TRANSACTION. Any definitive proxy statement (if and when available) will be mailed to stockholders of PMC. Investors and security holders will be able to obtain free copies of these documents (if and when available) and other documents filed with the SEC by Microsemi through the web site maintained by the SEC at <http://www.sec.gov>.

## Certain Information Regarding Participants

Microsemi and certain of its directors and executive officers may be deemed to be participants in any solicitation with respect to the proposed transaction under the rules of the SEC. Security holders may obtain information regarding the names and interests of Microsemi’s directors and executive officers Microsemi’s Annual Report on Form 10-K for the year ended September 28, 2014, which was filed with the SEC on November 13, 2014, and Microsemi’s proxy statement for the 2015 Annual Meeting of Shareholders, which was filed with the SEC on December 19, 2014. These documents can be obtained free of charge from the sources indicated above. Additional information regarding the interests of these participants in the proxy solicitation and a description of their direct and indirect interests, by security holdings or otherwise, will also be included in any proxy statement and other relevant materials to be filed with the SEC if and when they become available.