

TECHNOLOGY enabling a better life



2020 ANNUAL REPORT

Letter to Our Stockholders

Fiscal year 2020 proved to be a challenging year for the industry and Company, as macro headwinds negatively impacted all three of our product groups. However, the Company remained focused on execution and made great strides in several areas. Although in fiscal year 2020 net sales of \$547.5 million declined 13% over fiscal year 2019's record performance, we achieved another record number of new design wins and delivered critical new and disruptive products to our customers, all while driving solid operating cash flow of \$118.6 million.

The Company continues to benefit from the three industry themes expected to drive our future growth: IoT for a Smarter Planet, Bandwidth Expansion, and Miniaturization for Mobility. All three of these secular themes are expected to play a significant role in improving people's lives and creating a more sustainable environment going forward.

IoT for a Smarter Planet

The proliferation of long-range, low-power IoT sensor networks (Low Power Wide Area Networks – LPWANs) is potentially the most important technology innovation in generations. Companies across the globe are deploying Semtech's LoRa® devices and technology to enable IoT connectivity from the land, sea and sky - Everywhere. LoRa's unique long range and ultra-low power, makes it an ideal technology for preserving natural resources such as water, reducing excess power consumption and managing air quality to help reduce pollution. When connected with Cloud-based analytics, LoRa enables the deployment of intelligent sensor networks across the globe allowing the realization of future smart homes, smart buildings and smart cities.

Bandwidth Expansion

The insatiable demand for increased bandwidth has never been more evident, as demand on the global communication infrastructure exacerbated by COVID-19 illustrates the need for faster, more reliable and more broadly available connectivity used in telecommuting and particularly video conferencing. Semtech's optical components go into critical infrastructure platforms that include data centers, passive optical networks (PON) and 5G wireless networks which are expected to grow significantly over the next several years. Our highly integrated solutions provide lower latency, and higher performance typically at lower power and lower cost, thereby improving efficiency while reducing power consumption and increasing bandwidth.

Miniaturization for Mobility

Consumers demand greater mobility in today's untethered world, which requires smaller, battery-powered devices. Semtech's protection and proximity sensing products help enable smaller, lower power platforms by protecting the delicate electronic components that can be destroyed by transient voltage spikes while making the device safer to the user by reducing the exposure of radio frequency (RF) signals from higher power radios.

Environmental, Social and Governance

While Semtech is focused on growing net sales and improving our financial metrics, we also understand the impact that our business can have on the environment and the community at-large. The Company takes this responsibility very seriously and has a focus on integrating Environmental, Social and Governance (ESG) factors in its everyday operations ensuring that Environmental, Social and Governance (ESG) factors are being integrated into everything we do. As a result, we design our products with a focus on providing real benefits to the global community, and have put in place numerous Internal Green Programs and initiatives to reinforce our commitment to reduce waste through effective manufacturing control, the use of green technology, and resource reduction in product designs.

Semtech's employees, located across 32 offices in 15 different countries, with many different cultures, backgrounds and experiences, contribute to an exceptional, globally diverse, innovation machine with outstanding technology differentiation. Entering fiscal year 2021, the Company is celebrating its 60th year in business, and we believe we are very well positioned in our targeted markets. Despite the current challenges, we expect the strength of the secular drivers behind our key growth engines to remain firmly intact. Our exciting new product platforms targeting the Internet of Things, bandwidth expansion, and mobile devices, along with our diverse product offerings, balanced end-market approach, and strong customer relationships, should enable the Company to deliver a solid financial performance in fiscal year 2021.



Mohan Maheswaran
President and CEO

