Fiscal year 2017 was an exciting year for Semtech, as we returned to growth. Net sales totaled $544.3 million, an increase of 11.0% over the prior fiscal year driven by growth in all four of our Product Groups. Our Signal Integrity and Wireless and Sensing Products Groups achieved double-digit and record annual net sales, while our Protection and Power and High-Reliability Products Groups grew 8.0% and 7.0%, respectively.

Our gross margin of 59.7% remained at the upper end of our targeted range while our careful management of operating expenses enabled the Company to deliver earnings growth that far exceeded our net sales growth. We also divested or de-emphasized R&D investments in areas where a timely return was not expected or we believed that our competitive advantage would not sustain a leadership position. Semtech delivers innovative technology platforms leveraging three major industry trends that we believe drive some of the fastest and most exciting growth opportunities for the semiconductor industry.

**Smarter Planet**
- The Internet of Things (IoT), and its associated efficiencies and benefits, is expected to provide connectivity and intelligence to billions of connected “things.”
- Semtech’s LoRa Technology is becoming the de facto standard for LPWAN connectivity with announced deployments in over 50 countries.
- LoRa Technology’s unique geolocation feature enables revolutionary use cases, creating additional revenue opportunities for sensor and gateway providers, and network operators.

**Higher Bandwidth and Connectivity**
- Bandwidth demand remains insatiable, as users access multimedia-rich content from the Cloud and social media.
- Semtech’s ClearEdge® CDRs and PMD solutions benefit from bandwidth expansion in data centers, wireless base stations, and Passive Optical Networks (PONs).
- We believe our leadership position is built on our history of providing products that deliver some of the highest performance at the lowest power for 1Gbps to 400Gbps optical modules.

**Greater Mobility**
- Users are demanding high-performance smartphones, wearables and other mobile devices that are smaller, more robust, and energy efficient.
- Semtech’s Z-Pak™ platform meets these demands by providing some of the highest-performing circuit protection technology in the smallest packages.
- Our proximity sensing solutions are used to help protect users from the high-performance radios used in today’s advanced mobile applications.

We believe Semtech’s highly differentiated and disruptive analog and mixed-signal platforms position us to gain share in our target markets in fiscal year 2018 and beyond. I expect Semtech to continue to outperform the analog semiconductor industry and potentially deliver record financial results as we continue on our journey to becoming a $1 billion revenue company.

Mohan Maheswaran
President and Chief Executive Officer