



Enabling Brilliance™

## **Fourth Quarter and 2010 Year End Earnings Call**

---

February 8, 2011



# Caution Regarding Forward-Looking Information

This document contains statements which constitute forward-looking statements. These forward-looking statements are not descriptive of historical matters and may refer to management's expectations or plans. These statements include but are not limited to statements concerning: Gennum's business objectives and plans including Gennum's corporate strategy and strategic priorities; Gennum's future financial performance and prospects including revenues, gross margins and earnings, and ability to achieve operating earnings, cash flow and other business model targets; future trends in the semiconductor products and intellectual property licensing industries and, in particular, market trends for analog and mixed-signal products, optical products and intellectual property products and licensing; Gennum's expectations for sales and licensing of its products in these markets including anticipated costs and fees, sales, product prices, size, duration, growth or decline of market opportunities and competitive and pricing pressures in these markets; Gennum's product roadmap and the speed at which Gennum is able to introduce new products; the adoption of new standards in the markets in which Gennum competes and the ability of Gennum to anticipate these changes and successfully address new opportunities; sales and capital spending plans and estimates, shipment levels and operating expenses; exchange rate fluctuations in, and the relative values of, the Canadian dollar, the U.S. dollar and the Japanese yen; Gennum's ability to finance its growth plans and make necessary investments; and litigation in which Gennum is involved.

Inherent in forward-looking statements are risks and uncertainties beyond Gennum's ability to predict or control including, but not limited to, risks associated with: competitive and pricing pressures in the increasingly competitive environment in which Gennum operates; changes in the mix of products sold which, due to associated margins, can impact Gennum's financial results; economic cycles in the semiconductor industry including downturns which can result from adverse general economic conditions; our ability to anticipate needs for future products and successfully execute our product roadmap, including the possibility of the emergence of disruptive technologies which negatively impact our positioning in the marketplace; the risk that unforeseen factors may arise that result in us not being able to achieve our operating income, cash flow and other business model targets; possible impairments of assets which could be required in the future; fluctuations in foreign exchange rates and their potential adverse impact upon our financial results; our reliance on external foundries and suppliers and the potential adverse effects of disruptions in any of these arrangements; the successful integration of acquisitions; our ability to attract and retain key personnel necessary for our business; our ability to successfully protect our intellectual property rights; and the initiation and outcome of legal proceedings. Readers should also refer to the sections entitled "Risks and Uncertainties" in our 2010 management's discussion and analysis and "Risk Factors" in our most recent annual information form, each as filed on SEDAR at [www.sedar.com](http://www.sedar.com).

Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this document. Such statements are based on a number of assumptions which may prove to be incorrect including, but not limited to, the following assumptions: there is no material deterioration in the business and economic conditions in the marketplace for Gennum's products; Gennum's expectations regarding market trends for analog and mixed-signal products, optical products and intellectual property products and licensing are not materially incorrect; Gennum is able to execute its product roadmap without delays or disruptions having a material impact on Gennum; Gennum's expectations relating to the needs and direction of the marketplace for its products are within reasonable bounds of accuracy and Gennum is able to introduce products and capitalize on new opportunities generally as expected; Gennum's expectations relating to its future operating expenses, as well as the capital required to conduct its business in the future, are not materially incorrect; significant impairments of assets will not arise; material disruptions in the manufacture and supply of products and services to Gennum by foundries and suppliers will not materialize; Gennum's expectations relating to competitive pressures, including pricing pressures, as well as Gennum's expectations relating to the mix of products to be sold by it, are not materially incorrect; significant fluctuations in foreign exchange rates which materially adversely affect Gennum's financial results do not arise; customer demand for Gennum's products remains generally as anticipated; Gennum is able to successfully integrate acquisitions; and Gennum is able to continue to retain and attract technical and other key employees.

Readers are cautioned that the foregoing list of important factors and assumptions is not exhaustive. Forward-looking statements are not guarantees of future performance. Events or circumstances could cause Gennum's actual results to differ materially from those estimated or projected and expressed in, or implied by, these forward-looking statements. Consequently, readers should not place any undue reliance on these forward-looking statements. Forward-looking statements are provided for the purpose of providing information about management's current expectations and plans relating to the future. Readers are cautioned that such information may not be appropriate for other purposes. In addition, these forward-looking statements relate to the date on which they are made. We disclaim any intention or obligation to update or revise any forward-looking statements or the foregoing list of factors, whether as a result of new information, future events or otherwise, except to the extent required by law.

# Non-GAAP Financial Measures

We believe that financial analysts and investors use EBITDA to understand our financial results and to compare us with our industry peers. The term EBITDA refers to a non-GAAP financial measure that we define as earnings before interest, taxes, depreciation and amortization (related to intangible assets and stock-based compensation). Since EBITDA is not a measure defined under Canadian GAAP, it may not be comparable to definitions of EBITDA reported by other companies. EBITDA is presented in Gennum's MD&A, over the last eight quarters to provide readers with a historical perspective regarding our operational performance. We believe this allows us to compare our operating performance on a more consistent basis. The most comparable Canadian GAAP financial measure is operating income (loss). The MD&A reconciles EBITDA to operating income (loss). We also consider adjusted EBITDA to be a useful measure for comparison purposes against our prior results. Adjusted EBITDA is defined as EBITDA before restructuring charges and deferred development impairments.

For a reconciliation of EBITDA to operating income please refer to the Company's management discussion and analysis for the year ending November 30, 2010 as filed on SEDAR at [www.sedar.com](http://www.sedar.com). The Company also uses the term "EBIT" to refer to the Company's operating income, which is a financial measure defined under GAAP.



Enabling Brilliance™



**Dr. Franz Fink**

---

President & CEO

February 8, 2011



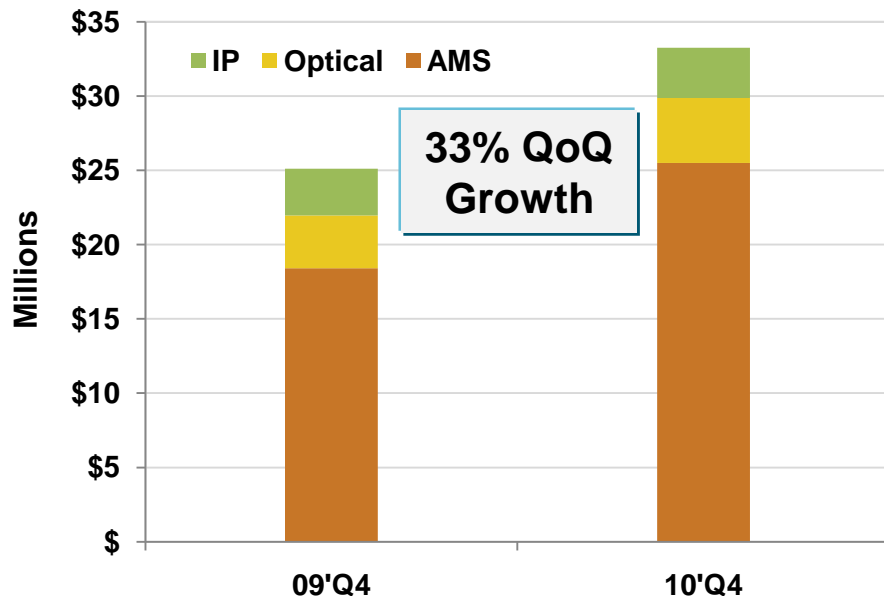
# Summary 2010 Performance

	2009	Q4-2009	Q3-2010	Q4-2010	2010
Revenue	\$85.2M	\$25.1.4M	\$34.4M	\$33.3M	\$128.9M
Gross Margin	71%	73%	73%	75%	73%
Operating Income	(\$3.5M)	\$3.0M	\$7.6M	\$7.8M	\$27.4M
Operating Margin	(4%)	12%	22%	24%	21%
EPS	(\$0.07)	\$0.10	\$0.15	\$0.15	\$0.54

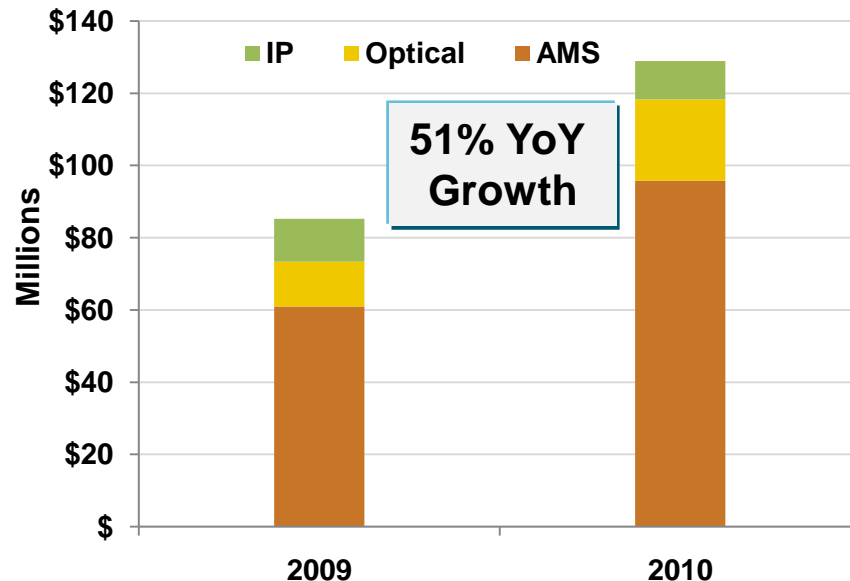
- Achieved **51% annual revenue growth**
- **Gross margins** very solid at **73%**
- Delivered strong **operating margin** at **21%**
- Cash position **strong** at **\$52.7M** – increased \$15.8M vs. 2009

# Gennum Revenue Growth Summary

## Quarter over Quarter



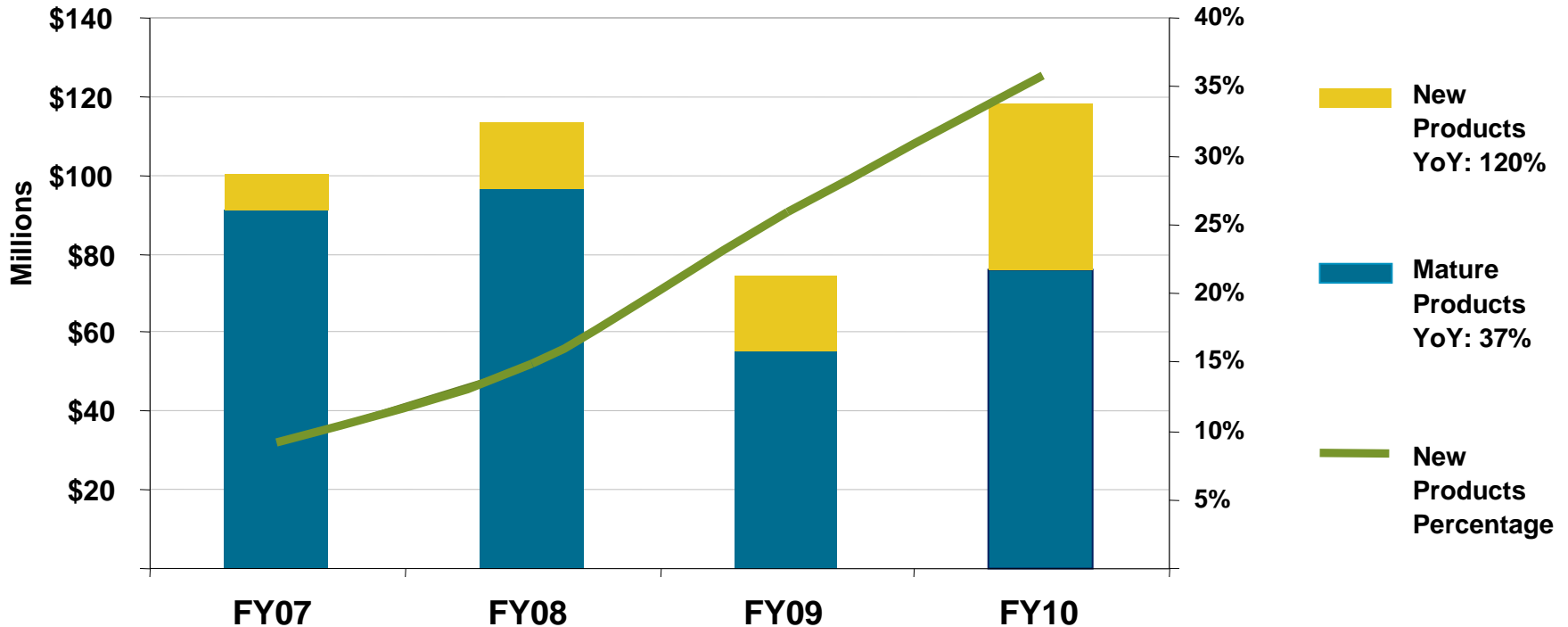
## Year over Year



- **Strong AMS growth** driven by broadcast & optical transceiver ICs – **38% QoQ** and **57% YoY**
- **Record Optical performance** as new datacom products ramp - **23% QoQ** and **81% YoY**
- Snowbush IP remains solid revenue contributor - **8% QoQ**

# New Products Driving Growth

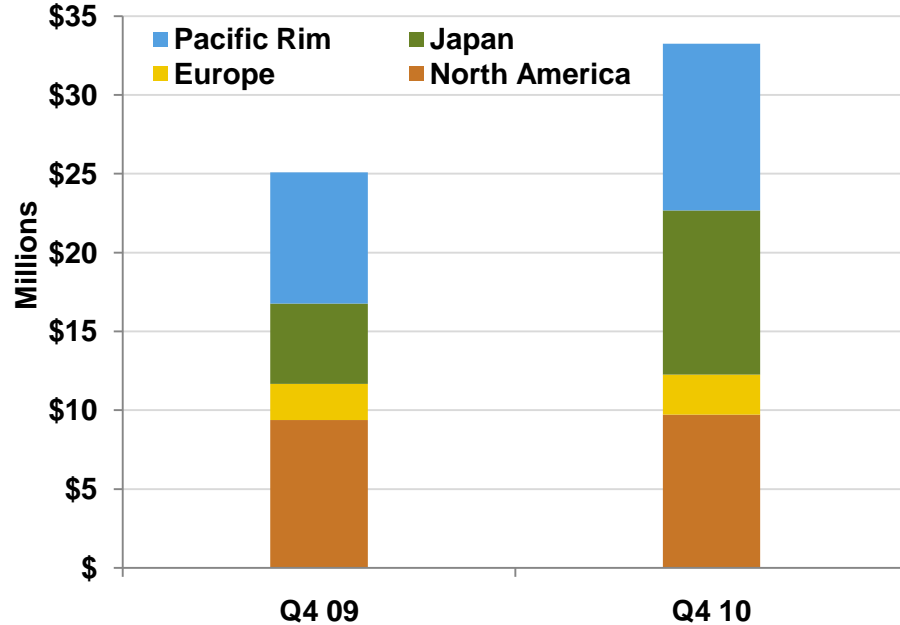
## Gennum IC Annual Product Revenue



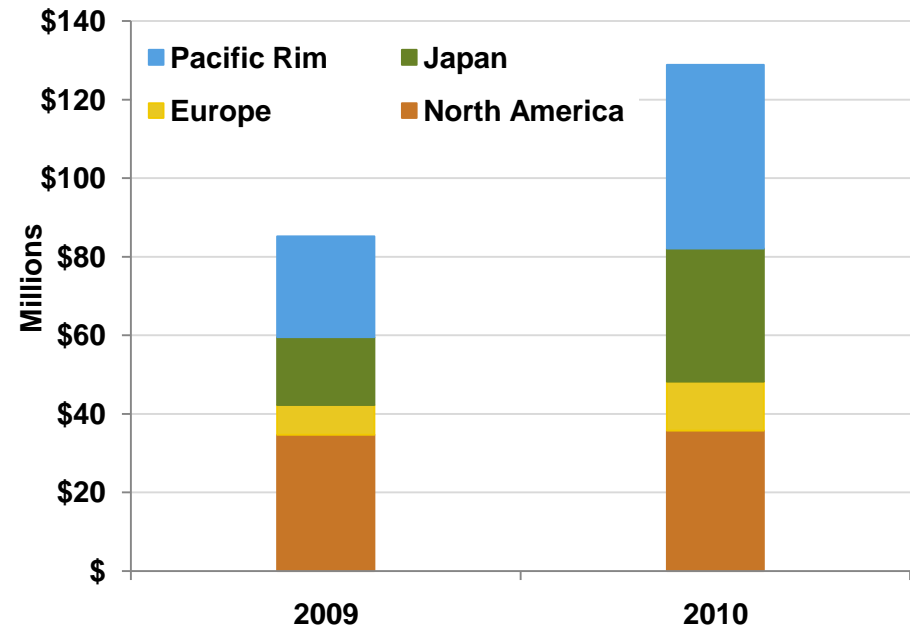
- New products driving growth, **66% CAGR** over three years
- 3G and optical transceiver ICs driving growth – **133% and 77%** respectively
- Mature products recovered from 2009, up **37% YoY**
- New product percentage steadily increasing, up to **36%**

# Good Traction Across All Regions

## Quarter over Quarter

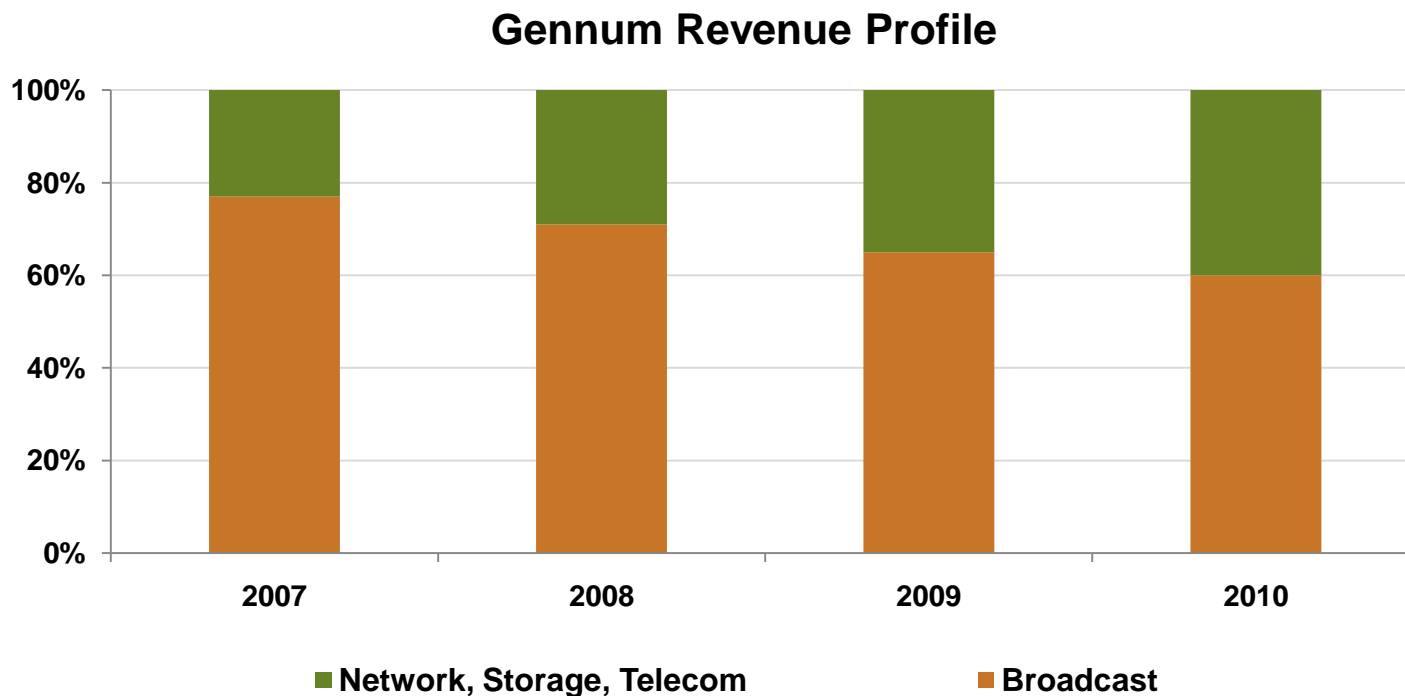


## Year over Year



- **Japan** exceptionally strong – **doubling** over last year (**95% YoY**)
- **North America** remains solid revenue contributor
- **Pacific Rim** delivering strong growth – nearly doubling vs. 2009 (**82% YoY**)
- **EMEA** good contributions – up **11% QoQ** and **65% YoY**

# Revenue Profile Shifting - Faster Growing Datacom Markets



- Broadcast leadership continues – **Sampling new 290x290 crosspoint**
- Industry first products ramping – **10G EPON, 16G FC, backplane/linecards**
- Revenue profile shifting towards **faster growing datacom segments – 40%**

Enabling Brilliance™



**Greg Miller**

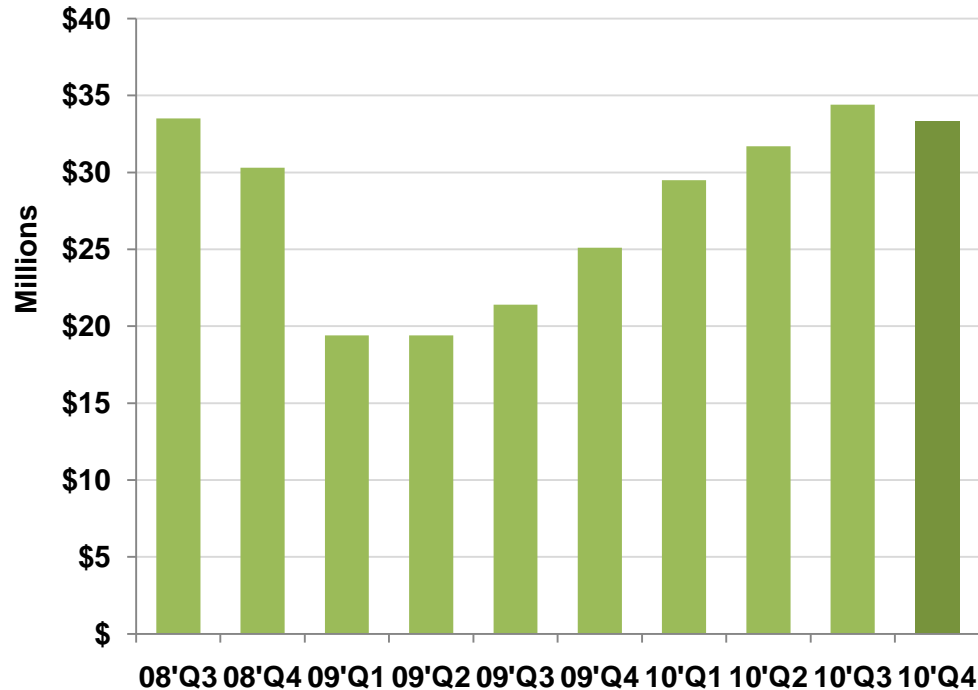
SVP, Finance & Administration and CFO

February 8, 2011

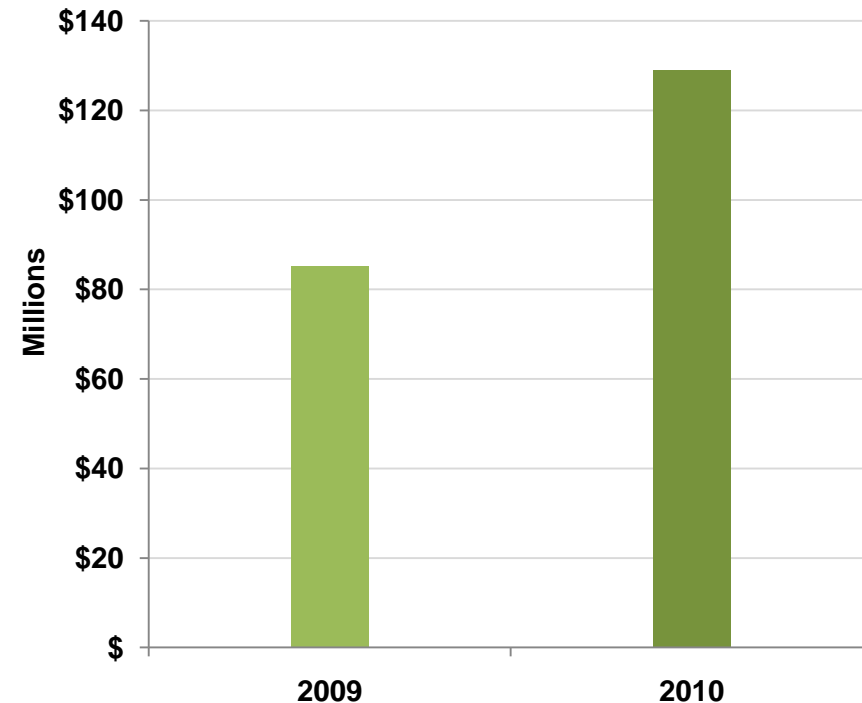


# Revenue

## Quarterly



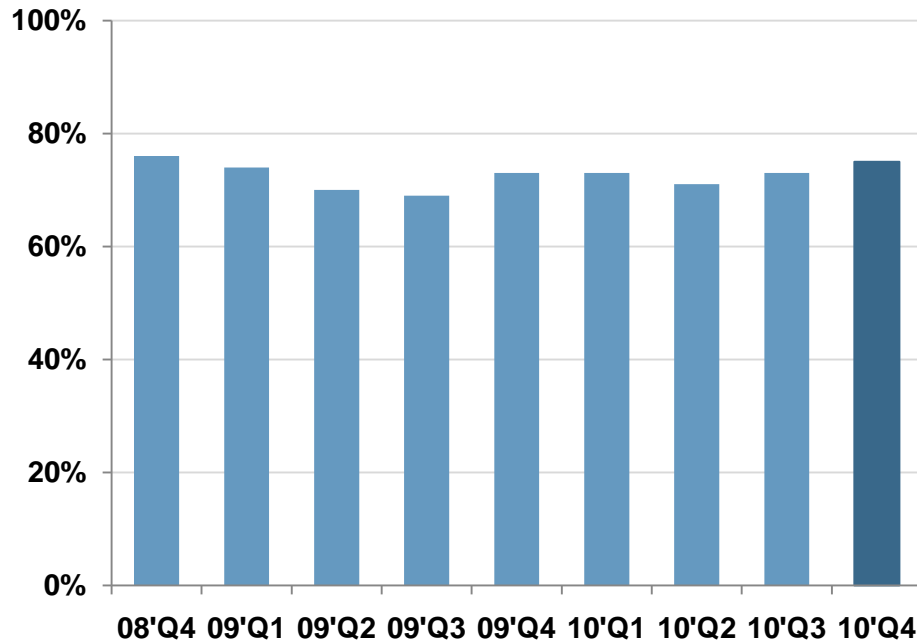
## Annual



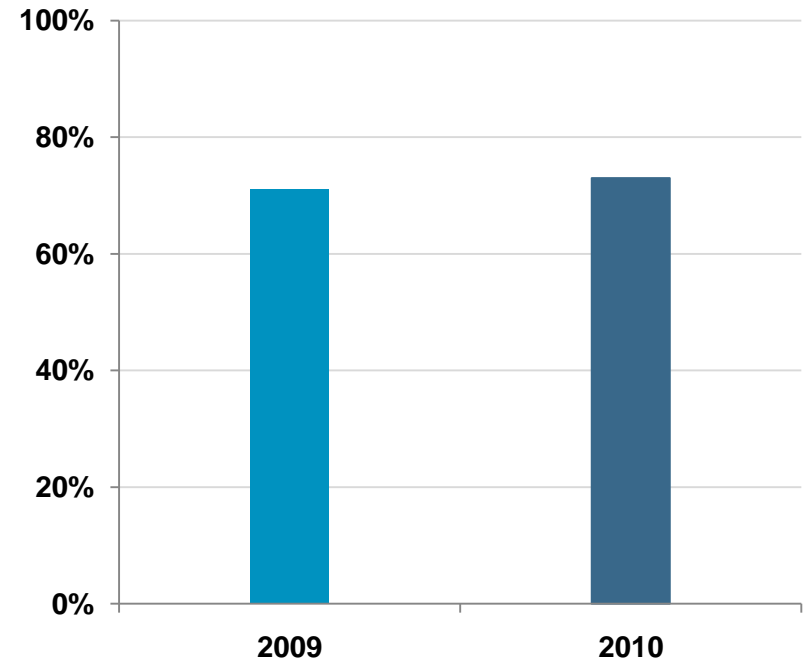
- 51% revenue growth in 2010
- 3Q/4Q'10 at 2008 revenue levels
- 2010 exceeded prior high revenues from 2008

# Gross Margin Improved to 73%

## Quarterly



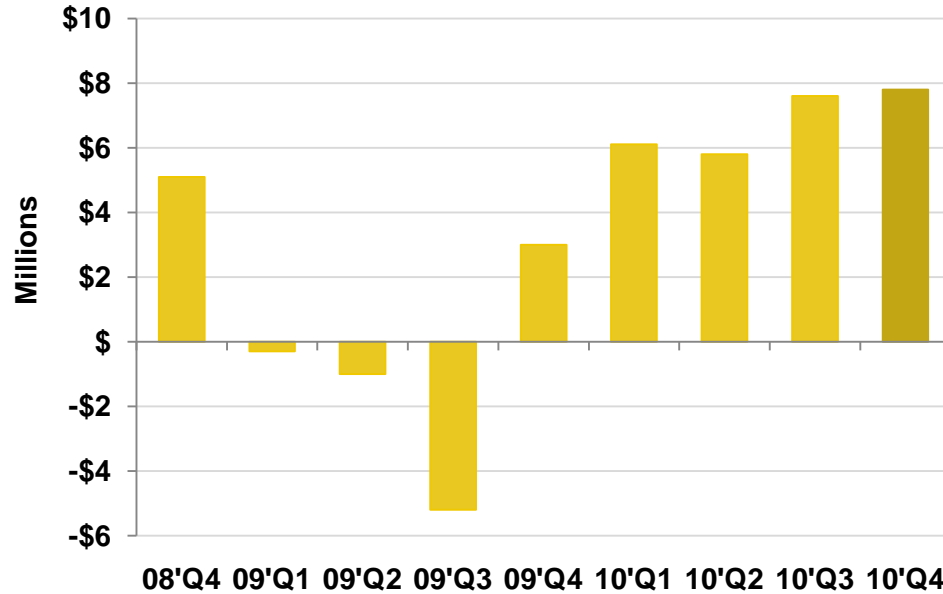
## Annual



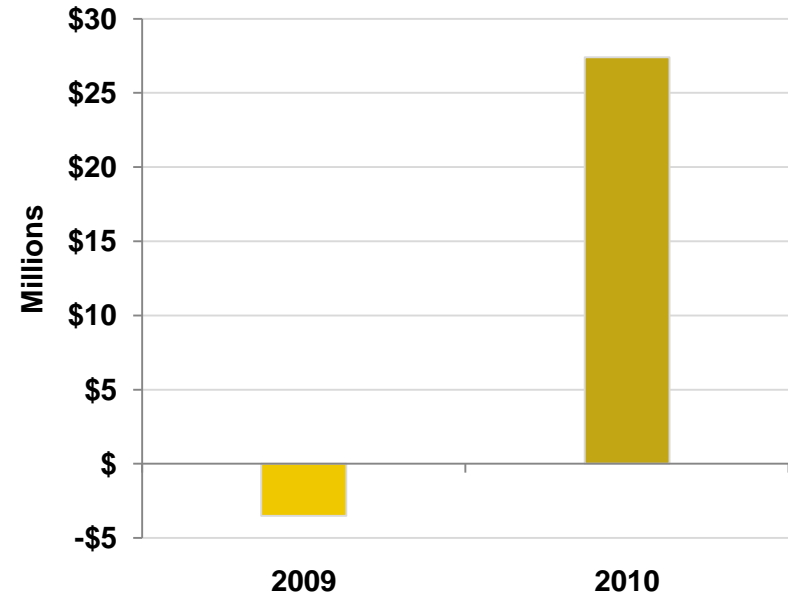
Gross margin improved to 73% from 71%

# Operating Income

## Quarterly



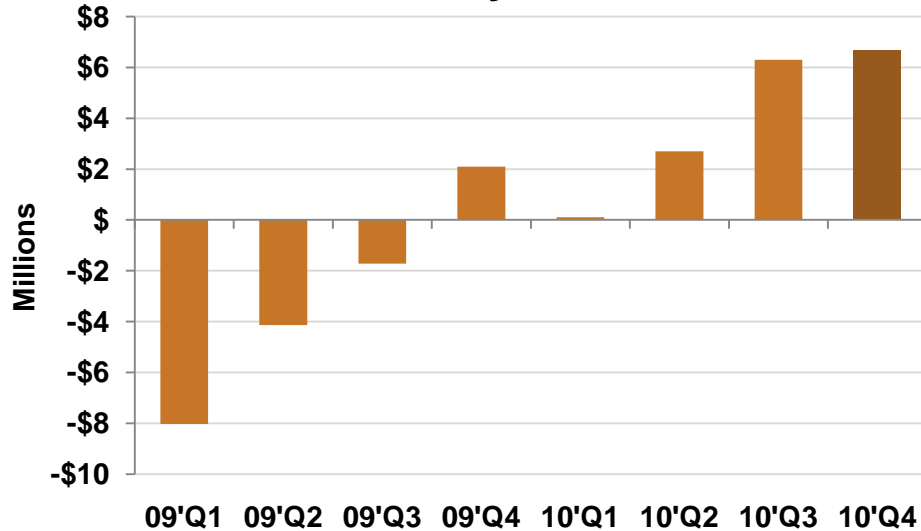
## Annual



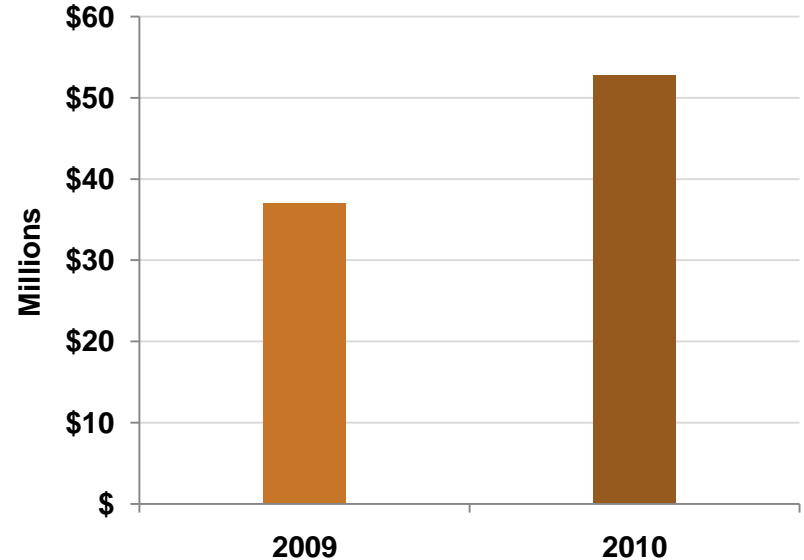
- Achieved 4Q'10 operating income of 24% of revenue
- Operating income of \$27.4M in 2010 compared to a loss of \$3.5M in 2009
- 2010 operating income 21% of revenue

# Strong Cash Flow

## Quarterly Cash Flow



## Annual Cash Balance



- 5<sup>th</sup> quarter of positive cash flow
- Year end cash and equivalents of \$52.7M
- Positive cash flow from operations in Q4 of \$11.0 million
- Cash & cash equivalents as of Q4 \$52.7 million, a \$6.7 million increase over Q3
- Expect to continue generating cash in 2011
- Planned modest use of cash in the first quarter – Capital & Incentive Expenses



Enabling Brilliance™



**Dr. Franz Fink**

---

President & CEO

February 8, 2011



## Q1 2011 Expectations

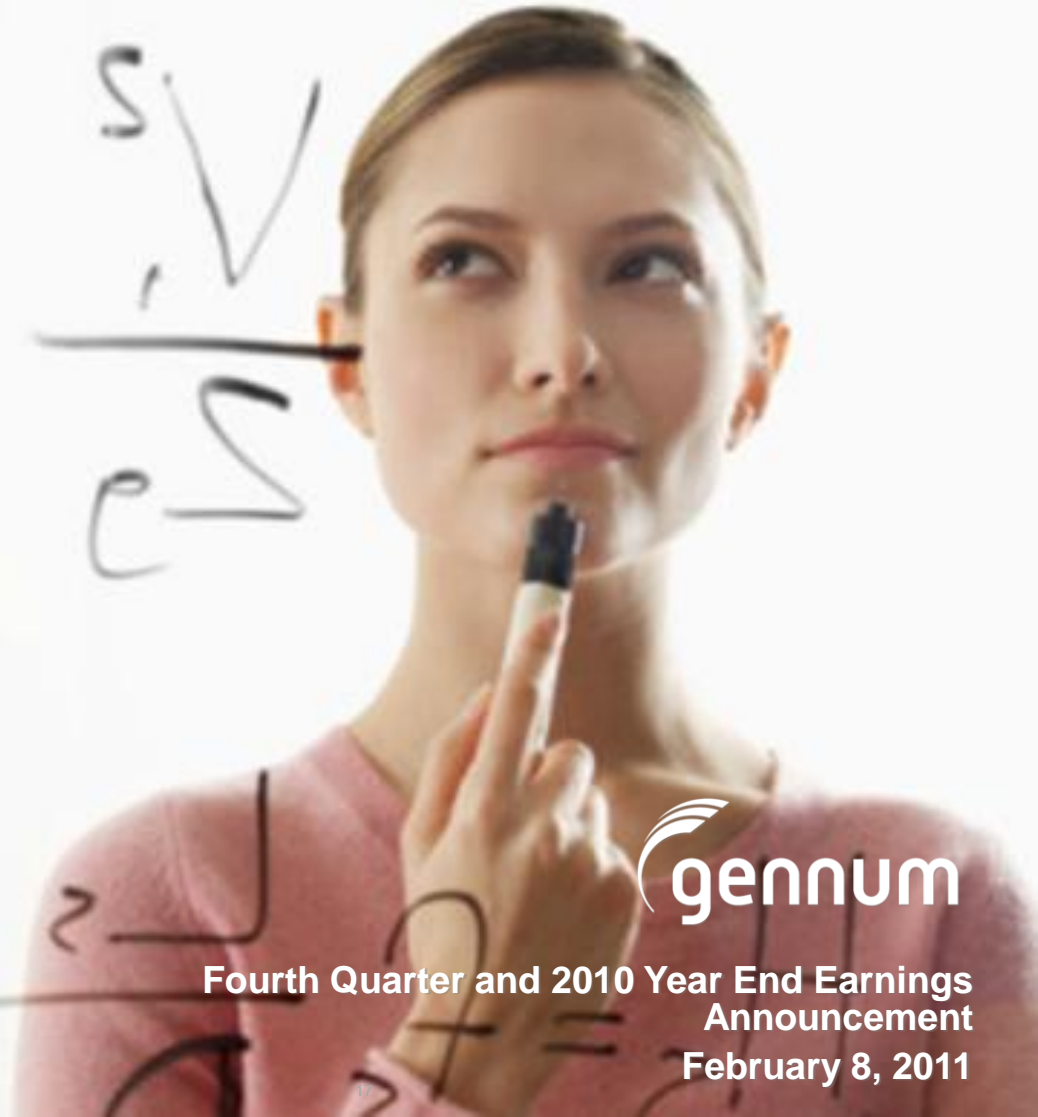
- Design wins and open opportunities remain strong for new products
- Q1 order book to date similar to Q4 order levels at this time
- Expect to achieve another solid quarter of operating income

## Resulting in .....

- Better than industry revenue growth for 2011
- Strengthened cash position
- Operating results in line with business model targets

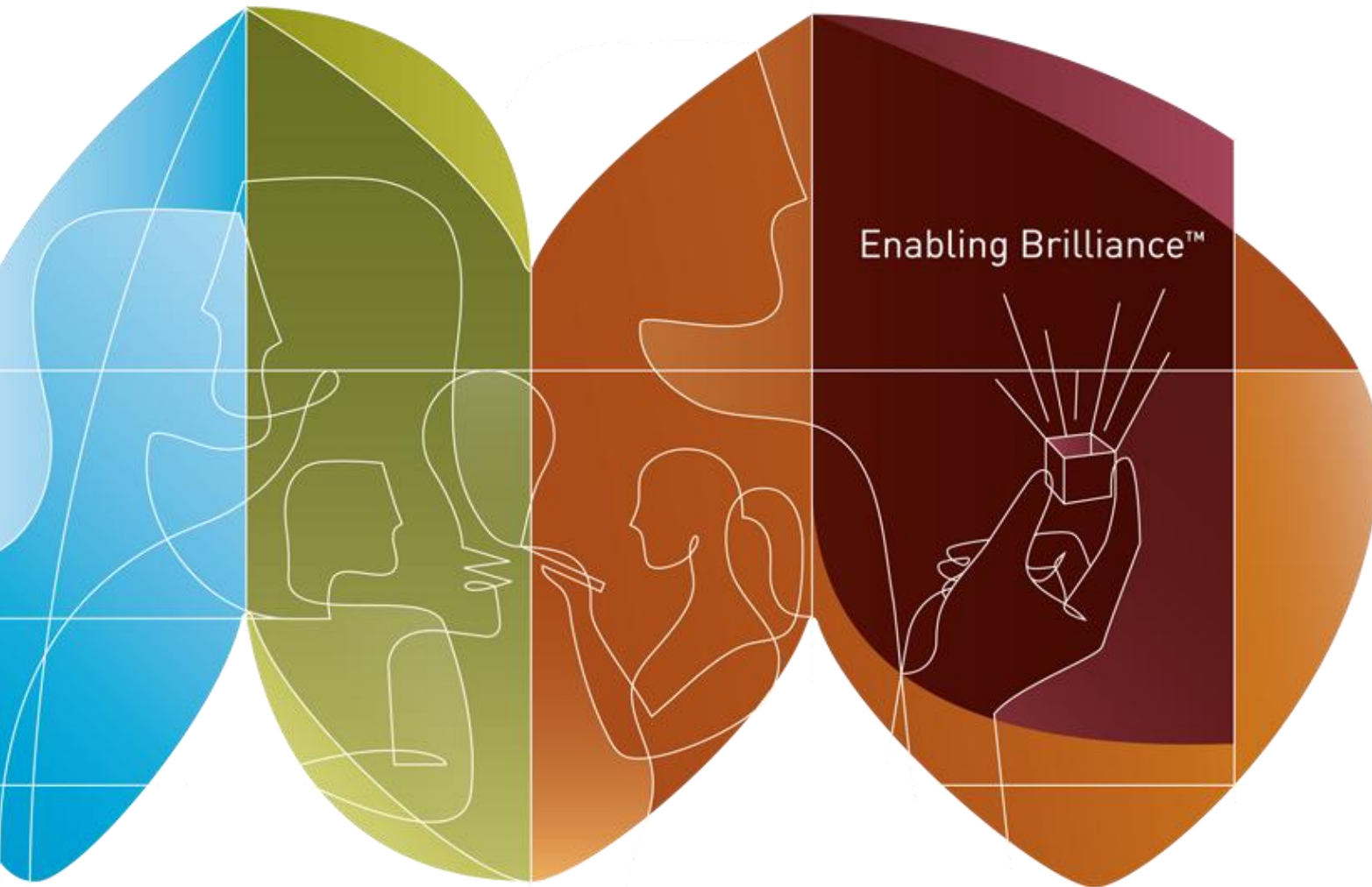


# Enabling Brilliance.



Fourth Quarter and 2010 Year End Earnings  
Announcement

February 8, 2011



Enabling Brilliance™

