

ENTROPIC COMMUNICATIONS INC

Form 425

February 04, 2015

SILICON SOLUTIONS  
FOR **CONNECTED HOME**  
ENTERTAINMENT

Filed by Entropic Communications, Inc.

Pursuant to Rule 425 under the Securities Act of 1933

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and deemed filed pursuant to Rule 14a-12  
under the Securities Exchange Act of 1934  
Subject Company: Entropic Communications, Inc.  
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February  
3, 2015

### Forward Looking Statements

These slides and the accompanying oral presentation contain forward-looking statements and information. The use of words such as

may,  
might,  
will,  
should,  
expect,  
plan,  
anticipate,  
believe,  
estimate,  
project,  
intend,  
future,  
potential

or continue,

and other similar expressions, are intended to identify forward looking statements. All of these forward-looking statements are based on estimates and assumptions by our management that, although we believe to be reasonable, are inherently uncertain. Forward-looking statements involve risks and uncertainties, including, but not limited to, economic, competitive, governmental and technical factors outside of our control, that may cause our business, industry, strategy or actual results to differ materially from the forward looking statements.

These risks and uncertainties may include those discussed under the heading Risk Factors

in  
the  
Company's

most recent registration statement on Form 10K on file with the Securities and Exchange Commission, and other factors which  
be known to us. Any forward-looking statement speaks only as of its date. We undertake no obligation to publicly update or  
forward-looking statement, whether as a result of new information, future events or otherwise, except as required by law.

**Regulation G Reconciliation**

During the course of this presentation, we may refer to historical and forward-looking non-GAAP financial measures. A recon  
historical non-GAAP financial measures with the most directly comparable GAAP financial measures can be found on our web  
www.entropic.com in the Investor Relations

section. We have not provided a reconciliation of forward-looking non-GAAP financial  
measures due to the difficulty in forecasting and quantifying the amounts that would be required to be included in the compar  
GAAP measure that are dependent upon future market conditions and valuations.

**SAFE HARBOR  
STATEMENTS**

#### FOR ADDITIONAL INFO

##### Where You Can Find Additional Information

In connection with Entropic's pending acquisition by MaxLinear, MaxLinear will file a registration statement on Form S-4 containing a proxy statement/prospectus of Entropic and MaxLinear and other documents concerning the proposed acquisition with the Securities and Exchange Commission (the "SEC"). ENTROPIC URGES INVESTORS TO READ THE JOINT PROXY STATEMENT/PROSPECTUS AND OTHER MATERIALS CAREFULLY WHEN THEY BECOME AVAILABLE BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION REGARDING ENTROPIC, MAXLINEAR AND THE PROPOSED TRANSACTION. Investors may obtain free copies of the proxy statement/prospectus (when available) and other documents filed by Entropic and MaxLinear with the SEC at the SEC's website at [www.sec.gov](http://www.sec.gov). Free copies of the proxy statement/prospectus (when available) and Entropic's other SEC filings are also available on Entropic's website at <http://www.entropic.com>. Entropic, MaxLinear and their respective directors, executive officers, certain members of management and certain employees, as defined under SEC rules, to be participants in the solicitation of proxies with respect to the proposed transaction. Information regarding the names and addresses of Entropic's directors and executive officers and directors is included in Entropic's Definitive Proxy Statement on Schedule 14A filed with the SEC on April 3, 2014 with respect to its 2014 Annual Meeting of Stockholders. This document is available free of charge at the SEC's website at [www.sec.gov](http://www.sec.gov) or by going to Entropic's corporate website at <http://www.entropic.com/>. Information regarding MaxLinear's officers and directors is included in MaxLinear's Definitive Proxy Statement on Schedule 14A filed with the SEC on April 17, 2014 with respect to its 2014 Annual Meeting of Stockholders. This document is available free of charge at the SEC's website at [www.sec.gov](http://www.sec.gov) or by going to MaxLinear's Investors page on its corporate website at [www.maxlinear.com](http://www.maxlinear.com). Additional information regarding the persons who may, under the rules of the SEC, be deemed participants in the solicitation of proxies with respect to the proposed merger, and a description of their direct and indirect interests in the proposed merger, which may differ from the interests of Entropic stockholders or MaxLinear stockholders generally, will be set forth in the joint proxy statement/prospectus when it is available.

CONNECTED HOME  
ENTERTAINMENT  
SILICON SOLUTIONS  
transforming the way digital entertainment is  
DELIVERED,  
CONNECTED  
and  
CONSUMED  
at home and on the go

Note: All financial information is non-GAAP  
FABLESS SEMICONDUCTOR  
COMPANY

Founded 2001, IPO 2007

\$43M Revenue, \$106M Cash, \$0 Debt (4Q14)

1,500+ Patents Issued and Pending  
POST-RESTRUCTURING  
ENTROPIC  
(Plan Completion: 1Q15)

\$40M Quarterly Break-even Revenue

1Q15 Profitability

>\$100M Cash Balance Target

RENEWED FOCUS

Pursue long-term large market opportunity in Connectivity

Support existing STB SoC design wins in 3+ years time horizon

No new STB SoC development

PENDING ACQUISITION

Entropic to be Acquired by Maxlinear

NASDAQ:

ENTR



6  
OVERVIEW OF ACQUISITION  
Acquisition  
Value  
Pro Forma  
Ownership  
Closing  
Conditions and

Timing  
Estimated  
Synergies and  
EPS Accretion  
Merger  
Consideration

\$3.01  
per  
Entropic  
share  
based  
on  
MaxLinear's  
closing  
price  
on  
2/2/15

Approximately  
\$287M  
equity  
value  
and  
\$181M  
enterprise  
value

MaxLinear  
shareholders  
will  
own  
65%  
and  
Entropic  
shareholders  
will  
own  
35%  
of  
pro  
forma  
common  
shares  
outstanding

Dr.  
Ted  
Tewksbury  
will

join  
MaxLinear's  
Board  
of  
Directors

\$20M of  
estimated  
cost  
synergies  
in  
first  
full  
calendar  
year  
post-close

Expected  
to  
be  
immediately  
accretive  
to  
non-GAAP  
EPS

Closing  
conditions  
include  
approval  
by  
MaxLinear  
and  
Entropic  
shareholders  
as  
well  
as  
customary  
regulatory  
approvals

Expected  
close  
in  
Q2  
2015

\$1.20 in cash and 0.2200 shares of MXL common stock per ENTR share

MaxLinear will assume outstanding and unvested options and RSUs

+

7

STRATEGIC RATIONALE

+

Strengthens and deepens analog / mixed-signal and RF engineering expertise with complementary teams

Strengthens IP position with extensive patent portfolio

Financially compelling: scale, synergies and non-GAAP EPS accretion

1  
2  
3  
4  
5

Enhances position in connected home with MoCA and adds leading  
signal processing technology for infrastructure markets  
Greatly increases relevance to tier-1 customers

8  
EXPANDS REACH FROM THE CLOUD, INTO AND  
THROUGHOUT THE CONNECTED HOME  
COMBINED CAPABILITIES  
Full Spectrum  
Capture  
Mixed-Signal  
Home  
Networking

Cable Infrastructure  
Optical Datacom &  
Telecom Network  
Wideband  
OFDM/OFDMA  
Modem  
High Speed MAC  
H/W & S/W  
High Speed MAC  
Hi-Frequency RF  
(0-to-90GHz)  
Gigabit QoS  
Wireless  
Infrastructure



Direct Broadcast Satellite Outdoor Unit Single-Cable Solutions /  
Broadband Access Solutions

MoCA

®

Silicon and Software Solutions for Operators & Retail

Set-Top Box System-on-a-Chip Solutions

KEY

DIFFERENTIATORS

Entropic's differentiated **analog/mixed-signal** technology and **DSP** revolutionizes the way industry defines new system solutions by delivering ultra-low power to Full-Band Capture applications

DELIVER

CONNECT

CONSUME

As the founder of MoCA, Entropic's market leadership and **RF proficiency** combined with a **full systems approach** provides unmatched and proven in-home connectivity experiences

Entropic's **superior software** and **open architecture** domain expertise ensures a full **system advantage** across its video SoC product roadmap

ECOSYSTEM &  
INDUSTRY PARTNERS  
Develop Technology for  
SERVICE PROVIDERS  
Sell System Solutions to  
OEMS/ODMS  
Have the Right Relationships & Industry  
PARTNERS

11  
WHAT MOVES  
THE MARKET  
ADVANCED SERVICES  
OTT APPLICATIONS  
DIGITAL CONTENT  
CONNECTED DEVICES  
MORE . . .

12  
DBS ODU  
MoCA  
Access  
MoCA  
MoCA  
MoCA  
STB SoC  
MoCA  
STB SoC

MoCA

MoCA

MoCA

STB SoC

ABUNDANT CONTENT OPPORTUNITY

13  
LARGE MARKET OPPORTUNITY  
Adding  
BROADBAND  
access longer term

MoCA DISCRETE

Wireless extension and Over-the-Top

More connected devices and services

DBS ODU

Transition to digital CSS

Efficient channel capture and delivery

**BROADBAND ACCESS**

High-speed broadband  
drive to 1Gbps

**VIDEO SOC**

Bandwidth reclamation with HD-DTA

Hybrid IP Set-top boxes

2015

2018

\$1.1B

\$800M



14  
REVENUE  
\$43.2  
\$42.6  
\$45.5  
in millions  
GROSS MARGINS  
58.8%  
56%  
53%

OPERATING EXPENSE

\$35.4

\$29.9

\$20.5

in millions

OPERATING MARGIN

(23%)

(15%)

8%

CASH

\$107

\$106

\$103

in millions

3Q14

1Q15E

(Guidance Midpoint)

(1) Actual

results

and

guidance

are

non-GAAP

and

last

provided

by

Company

on

February

3,

2015

FINANCIAL

HIGHLIGHTS

(Non-GAAP)

4Q14

DIFFERENTIATED CORE COMPETENCIES  
STRONG CUSTOMER AND PARTNER RELATIONSHIPS  
INTERSECTING PARADIGM SHIFT  
LARGE AND RAPIDLY GROWING MARKET  
STRONG LEADERSHIP AND INNOVATION CAPABILITY  
POSITIONED TO  
WIN

[WWW.ENTROPIC.COM](http://WWW.ENTROPIC.COM)

GAAP to Non-GAAP  
RECONCILIATIONS

Q1 '13

Q2 '13

Q3 '13

Q4 '13

2013

Q1 '14

Q2 '14

Q3 '14

Q4 '14

2014

GAAP Gross Profit

34.8

\$

34.3

\$

27.5

\$

27.8

\$

124.4

\$

26.1

\$

23.5

\$

22.6

\$

21.1

\$

93.3

\$

Stock-based Compensation

0.2

0.2

0.2

0.2

0.9

0.2

0.1

0.1

0.1

0.4

Amortization of Developed Technology

2.2

2.2

2.4

2.7

9.6

2.7

2.7

2.7

2.7

10.9

Non-GAAP Gross Profit

37.2

\$

36.7

\$

30.1

\$

30.7

\$

134.9

\$

29.0

\$

26.3

\$

25.4

\$

23.9

\$

104.6

\$

GAAP Gross Margin

46.7%

48.6%

48.8%

48.0%

48.0%

46.9%

46.8%

52.3%

49.5%

48.7%

Non-GAAP Gross Margin

49.9%

52.0%

53.5%

53.0%

52.0%

52.1%

52.4%

58.8%

56.0%

54.6%

GAAP Research and Development Expense

28.1

\$

28.3

\$

28.5

\$

29.6

\$

114.5

\$

35.3

\$

31.2

\$

29.1

\$

21.7

\$

117.2

\$

Stock-Based Compensation

(2.0)

(2.0)

(2.8)

(3.1)

(9.8)

(3.2)

(3.5)

(2.9)

(1.1)

(10.7)



Non-GAAP Research and Development Expense

26.1  
\$  
26.3  
\$  
25.7  
\$  
26.5  
\$  
104.7  
\$  
32.1  
\$  
27.7  
\$  
26.2  
\$  
20.6  
\$  
106.5  
\$

GAAP Sales, General and Administrative Expense

12.5  
\$  
11.5  
\$  
11.9  
\$  
11.4  
\$  
47.3  
\$  
13.6  
\$  
12.0  
\$  
11.4  
\$  
10.7  
\$  
47.6  
\$  
Stock-Based Compensation  
(1.3)  
  
(1.6)  
  
(1.6)

(1.7)

(6.1)

(1.5)

(1.9)

(1.6)

(1.6)

(6.6)

Transaction and due diligence costs

-

(0.2)

-

-

(0.2)

-

-

-

-

-

IP litigation costs

-

-

-

-

-

-

(0.9)

(0.6)

0.2

(1.4)

Non-GAAP Sales, General and Administrative Expense

11.2

\$

9.7

\$

10.3

\$

9.7

\$

41.0

\$

12.1

\$

9.2

\$

9.2

\$

9.3

\$

39.6

\$

GAAP Operating Margin

(6.7)

\$

(7.8)

\$

(13.3)

\$

(13.7)

\$

(41.4)

\$

(23.2)

\$

(21.8)

\$

(27.7)

\$

(25.2)

\$

(97.9)

\$

Amortization of Intangible Assets

3.2

2.7

2.9

3.2

11.9

3.2

3.0

3.0

3.0

12.1

Stock-Based Compensation

3.5

3.8

4.6

5.0

16.8

4.9

5.6

4.6

2.7

17.8

Due Diligence-Related Costs

-

0.2

-

-

0.2

-

-

-

-

-

IP litigation costs

-

-

-

-

-

-

0.9

0.6

(0.2)

1.4

Restructuring Charge

-

1.8

(0.1)

-

1.7

-

1.8

2.2

8.4

12.4

Impairment of Assets

-

-

-

-

-

-

-

7.4

5.3

12.7

Non-GAAP Operating Margin

-

\$

0.7

\$

(5.9)

\$

(5.5)

\$

(10.8)

\$

(15.1)

\$

(10.5)

\$

(9.9)

\$

(6.0)

\$

(41.5)

\$

GAAP Operating Margin

-9.0%

-11.0%

-23.6%

-23.6%

-16.0%

-41.7%

-43.4%

-64.1%

-59.3%

-51.1%

Non-GAAP Operating Margin

0.0%

1.0%

-10.5%

-9.6%

-4.2%

-27.1%

-20.9%

-22.9%

-26.1%

-29.0%

Note: Amounts may not reconcile exactly due to rounding differences

Operating Model (\$M)