

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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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. 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 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 or by going to MaxLinear's Investors page on its corporate website at 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

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)