

LATTICE SEMICONDUCTOR CORP
Form DEFA14A
November 08, 2016

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

SCHEDULE 14A

(Rule 14A-101)

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

(Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check appropriate box:

Preliminary Proxy Statement

Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material under Rule 14a-12

LATTICE SEMICONDUCTOR CORPORATION

(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of filing fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):

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Accelerating Customer Innovation For A Better Connected World LATTICE SEMICONDUCTOR November 2016

Safe Harbor This presentation contains forward-looking statements that involve estimates, assumptions, risks and uncertainties, including statements relating to the expected closing date and potential benefits of the acquisition by Canyon Bridge Capital Partners, Inc., our enabling a better connected world, our portfolio's ability to help our customers get a better product to market faster, our ability to leverage our differentiated technology to create unique solutions, and our 2016 Financial Model targets including revenue, gross margin, and operating expenses. Lattice believes the factors identified below could cause our actual results to differ materially from the forward-looking statements. Factors that may cause actual results to differ materially from the forward-looking statements in this presentation include global economic uncertainty, overall semiconductor market conditions, market acceptance and demand for our new and existing products, the Company's dependencies on its silicon wafer suppliers, the impact of competitive products and pricing, and technological and product development risks. In addition, actual results are subject to other risks and uncertainties that relate more broadly to our overall business, including those risks more fully described in Lattice's filings with the SEC including its annual report on Form 10-K for the fiscal year ended January 2, 2016 and its quarterly filings on Form 10-Q. Certain information in this presentation is identified as having been prepared on a non-GAAP basis. Management uses non-GAAP measures to better assess operating performance and to establish operational goals. Non-GAAP information should not be viewed by investors as a substitute for data prepared in accordance with GAAP. You should not unduly rely on forward-looking statements because actual results could differ materially from those expressed in any forward-looking statements. In addition, any forward-looking statement applies only as of the date on which it is made. The Company does not intend to update or revise any forward-looking statements, whether as a result of events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

Additional Information about the Proposed Merger And Where To Find It In connection with previously announced acquisition of the Company by Canyon Bridge Capital Partners, Inc. (the “Merger”) pursuant to the Agreement and Plan of Merger (the “Merger Agreement”), by and among the Company, Canyon Bridge Acquisition Company, Inc. (“Parent”), and Canyon Bridge Merger Sub, Inc., a Delaware corporation and wholly owned subsidiary of Parent (“Merger Sub”), the Company will file a proxy statement with the SEC. Additionally, the Company plans to file other relevant materials with the SEC in connection with the proposed Merger. The definitive proxy statement will be sent or given to the stockholders of the Company and will contain important information about the proposed Merger and related matters. **INVESTORS AND SECURITY HOLDERS OF THE COMPANY ARE URGED TO READ THE PROXY STATEMENT AND OTHER RELEVANT MATERIALS FILED WITH THE SEC WHEN THEY BECOME AVAILABLE BEFORE MAKING ANY VOTING OR INVESTMENT DECISION WITH RESPECT TO THE PROPOSED MERGER BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION ABOUT THE MERGER AND THE PARTIES TO THE MERGER.** The materials to be filed by the Company with the SEC may be obtained free of charge at the SEC’s web site at www.sec.gov or upon request from the Company’s Investor Relations Department at lsc@globalirpartners.com. Participants in the Solicitation The Company and its directors will, and certain other members of its management and its employees as well as Parent and Merger Sub and their directors and officers may, be deemed to be participants in the solicitation of proxies of Company stockholders in connection with the proposed Merger. Investors and security holders may obtain more detailed information regarding the names, affiliations and interests of the Company’s executive officers and directors in the solicitation by reading the Company’s Annual Report on Form 10-K for the fiscal year ended January 2, 2016, the Company’s proxy statement on Schedule 14A for its 2016 Annual Meeting of Stockholders, and the proxy statement and other relevant materials filed with the SEC in connection with the Merger if and when they become available. Additional information concerning the interests of the Company’s participants in the solicitation, which may, in some cases, be different than those of the Company’s stockholders generally, will be set forth in the proxy statement relating to the Merger when it becomes available.

BUSINESS OVERVIEW Lattice's Direction

Lattice Semiconductor Company at a glance HQ: Headquarters DC: Development Ctr. OC: Operations Ctr. GLOBAL PRESENCE Enabling processing and connectivity applications where time-to-market, low power, and small size are critical. CONSUMER INDUSTRIAL & AUTOMOTIVE COMMUNICATIONS & COMPUTING PROGRAMMABLE LOGIC VIDEO CONNECTIVITY mmWave MARKETS & PRODUCTS STRONG FINANCIALS \$406M 2015 Revenue Consistent double-digit revenue growth 2 BILLION + Devices sold by Lattice in the last 10 years NASDAQ: LSCC IPO 1989 Founded 1983 2015 Acquired Silicon Image for ~\$600M HISTORY OF INNOVATION 1992 ispCPLD 2003 HDMI 2004 SiBEAM 2006 Lattice ECP2M 2011 Acquired SiliconBlue for ~\$62M iCE65 2016 Canyon Bridge Capital Partners, Inc. Agrees to Acquire Lattice for \$1.3B

Lattice Semiconductor to be Acquired by Canyon Bridge Capital Partners, Inc. for \$1.3 Billion All cash transaction announced on November 3, 2016; expected to close in early 2017 subject to customary closing conditions and regulatory approvals Transaction expected to unlock tremendous value for shareholders, follows an extensive review process with Company's Board, financial, and legal advisers Lattice will become a standalone subsidiary of Canyon Bridge and continue to be headquartered in Portland, OR USA No expectation of changing operations or our unwavering commitment to continued innovation for our customers Privatization to enhance focus on core long-term strategies and provide opportunity to leverage Canyon Bridge's resources and market connections

Challenges for Product Designers & Engineers Devices becoming smarter and more connected as size and power are driven down CONSUMER COMMUNICATIONS & COMPUTING INDUSTRIAL & AUTOMOTIVE Increasing screen size & resolution Longer battery life Rapidly evolving interfaces Shorter design cycles High-bandwidth & ultra-low latency Data & network security Fiber expensive to install Driving reliability up & costs down More intelligent controls HD video processing Increased number of sensors Wireless networking

Lattice Enables a Better Connected World We make your daily experiences smarter and richer

CONSUMER MARKET Increasing screen size & resolution Longer battery life Rapidly evolving interfaces Shorter design cycles HDMI & MHL ASSPs iCE40 & MachXO3 FPGAs SiBEAM Snap wireless connector devices Digital Home DTV, home theater, smart homes Mobile Computing Smartphones, tablets, DSLRs, notebooks Emerging Wearables, virtual reality, drones, IoT DRIVERS & NEEDS OUR SOLUTIONS KEY APPLICATIONS

iCE40 FPGAs, WiHD Modules Processing power & standards based wireless enable interference-free smart appliances HDMI & MHL ASSPs Low latency, 4K UHD video, & full audio connections provide a richer media experience iCE40 FPGAs Small form factors fit tight spaces. Low power enables functions that are always-on & always-aware of human interaction SiBEAM Snap Wireless Connector Devices Fast wireless enables “instant” downloads, makes devices sleeker & more robust by eliminating connectors MachXO3 FPGAs Programmability enables rapid prototyping, feature flexibility, & faster Time-To-Market Consumer Technology examples

COMMUNICATIONS & COMPUTING MARKET High-bandwidth & ultra-low latency Data security Fiber
expensive to install Driving reliability up and costs down ECP5 & MachXO3 FPGAs Mixed signal devices mmWave
backhaul & access Wireless LTE 4.5G / 5G HetNet Backhaul Wireline Access IP transport Optical Data Center
Server, storage, networking DRIVERS & NEEDS OUR SOLUTIONS KEY APPLICATIONS

ECP5 FPGAs Low power reduces operating costs; small size enables higher functional density; co-processing accelerates systems, I/O rich allows more connections with ASICs & ASSPs Communications & Computing Technology examples mmWave Backhaul & Access Solutions 60 GHz devices with beam-steering technology make wireless infrastructure lighter, cheaper, lower power, & easier to install, enabling links at fiber-like data rates Platform Manager 2 Devices Mixed signal capability integrated with FPGA enables programmable power & thermal management, speeds design, & reduces BOM MachXO3 FPGAs Increase reliability with flexible, instant-on board control. Optimized for control path, housekeeping & hardware management functions

INDUSTRIAL & AUTOMOTIVE MARKET More intelligent controls HD video processing & storage Increased number of sensors Wireless networking MachXO3 & ECP5 FPGAs HD video solutions Wired (HDMI, FPGA) Wireless (WiHD modules) Automotive & industrial grade devices Machine vision & surveillance cameras Industrial control, automation & networking Video wall & interactive displays Driver assistance & infotainment DRIVERS & NEEDS OUR SOLUTIONS KEY APPLICATIONS

ECP5 FPGAs Human Machine Interface (HMI) on a chip simplifies design of high resolution interactive Graphical User Interfaces HD Video Solutions FPGA, HDMI ASSP, & WiHD ecosystem eliminates wires & increases performance of video capture / delivery / display applications iCE40 FPGAs, SiBEAM Snap mmWave Low cost FPGAs & fast wireless connections enable more sophisticated commercial handhelds & IoT devices HD Industrial & Automotive Technology examples Automotive & Industrial Grade Devices Enhanced temperature range & proven reliability bring low-power FPGA & HD video connectivity ASSP benefits to robust environments

Lattice Smart Connectivity Solutions A complete portfolio helps our customers get a better product to market faster
mmWave Gigabit Wireless FPGAs Fast Time-to-Market Lowest cost per I/O, Control oriented Lowest power & size,
Mobility focused Lowest cost per gate, SERDES connectivity Wireless Fiber outdoor backhaul and access
WirelessHD Robust, low latency video ASSPs & pASSPs Reduce Cost & Power 8K & 4K UHD Bridges, switches,
port processors Optimized USB Type-C port controllers Wireless connector First programmable ASSP (pASSP)
mobile video bridge

z Lattice Smart Connectivity Solutions A complete portfolio helps our customers get a better product to market faster
mmWave Gigabit Wireless FPGAs Fast Time-to-Market Lattice advantages: Fast Time-To-Market Lowest power,
smallest size computing & connectivity devices Proven volume supply chain Lattice advantages: Fiber-like speeds
over wireless Improved user experience Cost-optimized technologies ASSPs & pASSPs Reduce Cost & Power Lattice
advantages: pASSPs, the best of both FPGA and ASSP worlds First to market with new standards Value-added
standards+ features

Roadmap To Anticipate & Meet Market Needs Leveraging our differentiated technology to create unique solutions
TVs Gigabit Wireless Ultra HD Video Smart Vision Mobile Heterogeneous Computing Edge Connectivity mmWave
Devices HDMI & MHL ASSPs Programmable ASSPs Mobile FPGAs Bridging & Acceleration FPGAs 5G
Broadband Augmented & Virtual Reality Autonomous Cars & Drones Internet-of-Things (IoT) Cloud, HetNet &
Industrial IoT Centimeters Meters 100s of Meters 4K UHD Display 8K Display HDMI Next Gen. Sensor Aggregation
Display Bridging 360 Video Always On Always Aware Always Smart Control Secure Processing

As more “things” become intelligent, mobile, and talk with each other in increasingly complex ways, we will be the undisputed global leader Accelerating Customer Innovation For A Better Connected World

FINANCIAL OVERVIEW Lattice's Performance

Revenue Highlights Total Revenue (\$M) Total Revenue By Segment Total Revenue By Region 11% CAGR

Quarterly P&L 1Q15 2Q15 3Q15 4Q15 FY15 1Q16 2Q16 3Q16 Revenue (\$M) \$88.6 \$106.5 \$109.7 \$101.2 \$406.0
 \$96.5 \$99.2 \$113.2 COGS 40.8 48.3 49.9 47.1 186.1 39.4 40.8 45.8 GM 54% 55% 55% 54% 54% 59% 59% 60%
 R&D 27.6 39.6 37.6 32.1 136.9 32.6 30.9 27.7 SG&A 21.1 28.2 23.8 24.2 97.3 23.6 23.0 29.2 Amortization of
 Intangibles 2.9 8.9 9.0 8.8 29.6 8.7 8.3 8.3 Acquisition related charges 18.2 3.3 0.6 0.4 22.5 0.1 - - Restructuring 4.9
 4.1 6.8 3.4 19.2 5.4 2.6 0.3 Impairment of goodwill and intangible assets - - - 21.7 21.7 - - 7.9 Operating loss (\$26.9)
 (\$25.9) (\$18.0) (\$36.5) (\$107.3) (\$13.4) (\$6.4) (\$6.0) Interest expense (1.6) (5.5) (5.8) (5.5) (18.4) (5.0) (5.1) (5.2) All
 other (expenses) income, net (0.1) (0.1) (0.9) - (1.1) 0.5 2.2 (0.2) Provision for income tax 24.7 4.1 0.2 3.5 32.5 1.9
 4.5 1.0 Net loss (\$53.3) (\$35.6) (\$24.9) (\$45.5) (\$159.3) (\$19.7) (\$13.8) (\$12.4) Add Back Fair Value of Deferred
 Revenue/ Inventory Step-Up 4.2 3.7 1.0 0.8 9.7 0.5 - - Add Back Amortization / Restructuring
 /Acquisition/Impairment 26.0 16.3 16.4 34.3 93.0 14.2 10.9 16.5 Add Back Non-Cash Equity Compensation 3.4 5.0
 4.2 4.8 17.4 4.6 3.2 4.3 Less Gain on Sale of Qterics - - - - - (2.6) - Add Back Tax Impact of Non-GAAP
 Adjustments 23.4 (1.3) (2.2) 1.1 21.0 (0.5) 2.5 (2.5) Non-GAAP Net Income (Loss) \$3.7 (\$11.9) (\$5.5) (\$4.5) (\$18.2)
 (\$0.9) \$0.2 \$5.9

Balance Sheet ASSETS (\$M) 1/2/16 10/1/16 Cash and short-term investments \$102.6 \$98.9 Accounts receivable, net 88.5 93.9 Inventories 75.9 80.5 Other current assets 18.9 18.7 TOTAL CURRENT ASSETS 285.9 292.0 Property & equipment, net 51.8 51.6 Other long-term assets 17.5 15.1 Intangible assets, net 162.6 127.3 Deferred income taxes 0.6 0.5 Goodwill 267.5 269.8 TOTAL ASSETS \$785.9 \$756.3 LIABILITIES + EQUITY (\$M) Accounts payable & other accrued liabilities \$83.8 \$86.0 Deferred income 19.9 21.6 Current portion of long-term debt 7.5 27.6 TOTAL CURRENT LIABILITIES 111.2 135.2 Long-term Debt 330.9 307.7 Other long-term liabilities 38.3 39.7 Stockholders' equity 305.5 273.7 TOTAL LIABILITIES & STOCKHOLDERS' EQUITY \$785.9 \$756.3

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