

MAXLINEAR, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except per share amounts and percentage data)

The table below presents the computation of basic and diluted earnings per share:

	Years Ended December 31,		
	2019	2018	2017
	(in thousands, except per share amounts)		
Numerator:			
Net loss	\$ (19,898)	\$ (26,199)	\$ (9,187)
Denominator:			
Weighted average common shares outstanding—basic	71,005	68,490	66,252
Dilutive common stock equivalents	—	—	—
Weighted average common shares outstanding—diluted	71,005	68,490	66,252
Net loss per share:			
Basic	\$ (0.28)	\$ (0.38)	\$ (0.14)
Diluted	\$ (0.28)	\$ (0.38)	\$ (0.14)

For the years ended December 31, 2019, 2018 and 2017, the Company incurred net losses and accordingly excluded common stock equivalents for outstanding stock-based awards, which represented all potentially dilutive securities, of 2.5 million, 3.7 million, and 4.5 million, respectively, from the calculation of diluted net loss per share due to their anti-dilutive nature.

3. Business Combinations

Acquisition of Exar Corporation

On May 12, 2017, pursuant to the March 28, 2017 Agreement and Plan of Merger, Eagle Acquisition Corporation, a Delaware corporation and wholly-owned subsidiary of MaxLinear, merged with and into Exar Corporation, or Exar, with Exar surviving as a wholly owned subsidiary of MaxLinear. Under this Agreement and Plan of Merger, the Company agreed to acquire all of Exar's outstanding common stock for \$13.00 per share in cash. MaxLinear also assumed certain of Exar's stock-based awards in the merger. MaxLinear paid aggregate cash consideration of \$688.1 million including \$12.7 million of cash paid to settle certain stock-based awards that were not assumed by MaxLinear in the merger. The Company funded the transaction with cash from the balance sheet of the combined companies, including \$235.8 million of cash from Exar, and the net proceeds of approximately \$416.8 million from \$425.0 million of new transaction debt (Note 8).

During the year ended December 31, 2018, the Company made updates to estimates of certain tax-related assets acquired and liabilities assumed with a corresponding net increase to goodwill of \$0.3 million related to this acquisition (Note 5). The Company completed its purchase price allocation accounting associated with this acquisition in 2018.

Acquisition of Certain Assets and Assumption of Certain Liabilities of the G.hn business of Marvell Semiconductor, Inc.

On April 4, 2017, the Company consummated the transactions contemplated by a share and asset acquisition agreement with Marvell Semiconductor, Inc., or Marvell, to purchase certain assets and assume certain liabilities of Marvell's G.hn business, including its Spain legal entity, for aggregate cash consideration of \$21.0 million. The Company also hired certain employees of the G.hn business outside of Spain and assumed employment obligations of the Spanish entity acquired, which is now a subsidiary of MaxLinear. The acquired assets and assumed liabilities, together with the employees who joined MaxLinear and its subsidiaries as a result of the transaction, represent a business as defined in ASC 805, *Business Combinations*. The Company has integrated the acquired assets and employees into its existing business. The Company completed its purchase price allocation accounting associated with this acquisition in 2018.

4. Restructuring Activity

From time to time, the Company approves and implements restructuring plans as a result of internal resource alignment, and cost saving measures. Such restructuring plans include terminating employees, vacating certain leased facilities, and cancellation of contracts.

MAXLINEAR, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except per share amounts and percentage data)

The following table presents the activity related to the plans, which is included in restructuring charges in the consolidated statements of operations:

	Years Ended December 31,		
	2019	2018	2017
	(in thousands)		
Employee separation expenses	\$ 1,150	\$ 2,094	\$ 8,353
Lease related expenses	1,301	1,608	1,025
Other	185	136	146
	<u>\$ 2,636</u>	<u>\$ 3,838</u>	<u>\$ 9,524</u>

Included in employee separation expenses for the year ended December 31, 2017 is stock-based compensation from the acceleration of certain stock-based awards the Company assumed from Exar due to existing change in control provisions triggered upon termination or diminution of authority of former Exar executives of \$5.1 million.

Lease related and other charges primarily related to exiting certain redundant facilities.

The following table presents a roll-forward of the Company's restructuring liability for the years ended December 31, 2019 and 2018. The restructuring liability is included in accrued expenses and other current liabilities and other long-term liabilities in the consolidated balance sheets.

	Employee Separation Expenses	Lease Related Expenses	Other	Total
	(in thousands)			
Liability as of December 31, 2017	\$ 239	\$ 2,693	\$ 107	\$ 3,039
Restructuring charges	2,094	1,608	136	3,838
Cash payments	(1,924)	(1,884)	(196)	(4,004)
Non-cash charges	—	(927)	—	(927)
Liability as of December 31, 2018	409	1,490	47	1,946
Restructuring charges	1,150	1,301	185	2,636
Transfer to right-of-use asset	—	(299)	—	(299)
Cash payments	(1,559)	(1,720)	(163)	(3,442)
Non-cash charges and adjustments	—	46	(50)	(4)
Liability as of December 31, 2019	—	818	19	837
Less: current portion as of December 31, 2019	—	(275)	(19)	(294)
Long-term portion as of December 31, 2019	<u>\$ —</u>	<u>\$ 543</u>	<u>\$ —</u>	<u>\$ 543</u>

Remaining lease related charges as of December 31, 2019 primarily consist of common area maintenance obligations.

5. Goodwill and Intangible Assets

Goodwill

Goodwill arises from the acquisition method of accounting for business combinations and represents the excess of the purchase price over the fair value of the net assets and other identifiable intangible assets acquired. The fair values of net tangible assets and intangible assets acquired are based upon preliminary valuations and the Company's estimates and assumptions are subject to change within the measurement period (potentially up to one year from the acquisition date).