



QuickLogic Corporation
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Ralph Marimon, CFO, Speaking

Thank you and good afternoon.

Before we get started, let me take a moment to read our Safe Harbor statement.

During this call we will make statements that are forward-looking. These forward-looking statements involve risks and uncertainties including but not limited to stated expectations relating to revenue from our new and mature products, statements pertaining to our design activity and our ability to convert new design opportunities into production shipments, market acceptance of our customers' products, our expected results, and our financial expectations for revenue, gross margin, operating expenses, profitability and cash. QuickLogic's future results could differ materially from the results described in these forward-looking statements. We refer you to the risk factors listed in our annual report on Form 10-K, quarterly reports on Form 10-Q and prior press releases for a description of these and other risk factors. QuickLogic assumes no obligation to update any such forward-looking statements. This conference call is open to all and is being webcast live.

For the fourth quarter of 2014, total revenue was \$5.7 million which was above the midpoint of our guidance range.



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New product revenue totaled approximately \$3.7 million, and was above our guidance due to higher demand from Samsung for our display product.

Mature product revenue totaled approximately \$2.0 million, which was at the midpoint of our guidance range.

Samsung accounted for 49% of total revenue during the fourth quarter as compared to 27% of total revenue during the third quarter.

Our non-GAAP gross profit margin for Q4 was 39% and was below our guidance. The primary reason for the lower than expected gross margin was due to the product mix and higher than expected display bridge sales to Samsung.

Non-GAAP operating expenses for Q4 totaled \$5.7 million which was favorable to our guidance and was primarily due to the timing of engineering related expenses.

On a non-GAAP basis, the total for other income, expense and taxes was a charge of \$151 thousand. This resulted in a non-GAAP loss of approximately \$3.7 million or \$0.06 per share.

We ended the quarter with approximately \$30.1 million in cash.

Our Q4 GAAP net loss was \$4.1 million or \$.07 per share. Our GAAP results include stock based compensation charges of approximately \$492 thousand.



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Please see today's press release for a detailed reconciliation of our GAAP to non-GAAP results as well as for detailed information on our full year 2014 results.

Now I'll turn it over to Andy who will update you on the status of our strategic efforts.

Andrew Pease, CEO, speaking

Thank you, Ralph. During 2014 we laid the cornerstones for our strategic sensor hub initiative that I believe positions us to deliver sustainable revenue growth and higher gross profit margins.

At the center of this initiative is our unique, patent pending Flexible Fusion Engine sensor hub technology. Surrounding this are the cornerstones - silicon platforms, sensor algorithm software, reference platforms, and the multitude of customer engagements with market leading OEMs that we are driving with our world-class team.

Let's take a moment to review some of the 2014 milestones, and how they have positioned us for 2015:

Last September we released the second platform in our Sensor Hub roadmap, the ArcticLink 3 S2. This platform provides our customers with substantially lower operating power, higher processing capability, and expanded programmable fabric that provides more flexibility for integrating customer specific customization. We continue to execute on our roadmap,



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and are on schedule to release our next platform, the revolutionary ArcticLink 4 S3 in mid-2015. As was the case with the S2, the S3 will allow our customers to easily move their internally developed intellectual property forward.

During 2014 we released our first smartphone reference platform. We also released our first two wearable reference platforms, one of which we developed in conjunction with Nordic Semiconductor, a leader in ultra-low-power Bluetooth Low Energy, or, Bluetooth Smart. We will release additional reference platforms during 2015.

During 2014 we developed a formal qualified vendor list or QVL, and qualified multiple sensors from nine of the leading suppliers to the mobile market. While our platforms are sensor agnostic, this QVL initiative provides our customers with the added assurance and data they need to speed time-to-market and reduce product development risks. In addition, our new C compiler enables our customers to easily port internally developed software to our sensor hub platforms.

We continue to maintain leading edge compatibility with new Android operating system releases, including the most recent version, Android 5.0, or Lollipop. We are also compatible with popular real time operating systems that are collectively referred to as RTOS. In addition, because our platform is processor and operating system agnostic; we can quickly react



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to market opportunities that require us to support alternative operating systems.

During the coming weeks, we will issue a press release that announces our branded sensor algorithm software, SenseMe. As you might recall, during the early months of 2014, several of the leading sensor algorithm companies were acquired at very high valuations relative to the modest revenue they were producing. Due to this, and other considerations, we decided the best value proposition for our shareholders and customers would be to accelerate our internal algorithm development initiative.

I am very excited that, in a relatively short period of time, our software team has fully qualified and released a wide variety of unique algorithms that are highly optimized for accuracy and power consumption. These algorithms include context classification, gesture recognition, activity monitoring and applications like our patent pending pedometer. The importance of the team's accomplishments is underscored by the fact that all three sensor hub designs forecasted to go to production this quarter are based on QuickLogic's SenseMe algorithms.

I am particularly proud of the patent-pending pedometer solution our team has developed. OEMs that have benchmarked our solution against some of the leading products in the market today have deemed our pedometer to be best-in-class, consistently delivering 97% to 98% accuracy. Because accurate pedometers are fundamental to nearly all health, fitness, and



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location applications, we believe our high level of accuracy will become an increasingly important differentiator.

Delivering the cornerstones of our sensor hub strategy has resulted in more than two dozen engagements in the smartphone and wearable markets that include the vast majority of the leaders in these segments. In addition, we have entered into non-disclosure agreements with key OEMs that enable us to initiate engagements for our upcoming ArcticLink 4 S3.

Before I turn the call back over to Ralph for our Q1 guidance, let's take a few moments to discuss some of our near-term drivers.

As I mentioned last quarter, we won a new display bridge design with a tier one customer that is scheduled to enter production this quarter. While I believe this, and other expected designs will drive display bridge revenue throughout 2015, recent independent research studies suggest tablet shipments will decline again in 2015. As a result, we are taking what we hope will prove to be a conservative view of display bridge revenue in 2015.

During previous conference calls we stated that our PolarPro 3 silicon platform was granted technical approval by a leading smartphone company that is using discrete, mobile FPGAs in its flagship smartphone platforms. The OEM's intent was to complete the qualification process by using our PolarPro 3 platform in a carrier-specific build so that we could compete for the next generation flagship smartphone.



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However, as the design of the new flagship platform moved forward, the OEM developed ways to integrate the functions that were supported by the discrete mobile FPGA. Since that design change eliminated the immediate opportunity we were targeting, we redirected our resources to address other applications, including other mobile FPGA design opportunities at this and other leading smartphone companies.

During Q4 we shipped initial production volumes of our ArcticLink 3 S2 to Telepathy. Telepathy is the Japanese customer we mentioned during prior conference calls. Its product, which is called the Jumper, is an innovative head-mounted wearable device that is designed so that users can share data and experiences in both consumer and enterprise applications.

We also shipped initial production volumes to Foxconn during Q4 to support an innovative wearable product which is expected to be available during Q1 in multiple markets, including North America.

We are currently scheduled to ship production volume to Telepathy and Foxconn during Q1 of 2015. In addition, we expect to ship initial production volume to support a third sensor hub production design win during Q1. We will issue a press release this month that will provide more details on the Telepathy Jumper, and look forward to providing more information on the other two production designs in future calls.



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With that, I'll turn the call over to Ralph so he can provide our Q1 guidance, and then return with my closing comments.

Ralph Marimon, CFO, Speaking

For the first quarter of 2015, we are forecasting total revenue of approximately \$5.7 million, plus or minus 10%.

The \$5.7 million in total revenue is expected to be comprised of approximately \$3.7 million of new product revenue and \$2.0 million of mature product revenue. New product revenue reflects continued shipments of our display solutions into the tablet segment, shipments of various smart connectivity CSSPs and as well as production shipments of our ArcticLink 3 S2 sensor hub and other CSSP platforms.

As in prior quarters, our actual results may vary significantly due to schedule variations from our customers which are beyond our control. Schedule changes for existing opportunities, and projected production start dates for new opportunities could push or pull shipments between Q1 and Q2 and impact our actual results significantly.

On a non-GAAP basis, we expect gross margin to be approximately 42% plus or minus 3 percent. The expected sequential improvement in our non-GAAP gross margin is driven by our forecasted product mix.



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We are currently forecasting non-GAAP operating expenses to be \$6.1 million plus or minus \$300 thousand.

Non-GAAP R&D expenses are forecasted to be approximately \$3.7 million. The increase in engineering expenses is due to outside service costs related to new chip development and new hires within the engineering organization.

Our non-GAAP SG&A expenses are forecasted to be approximately \$2.4 million.

Our other income, expense and taxes will be a charge of up to \$60 thousand.

At the midpoint of our guidance, our non-GAAP loss is expected to be approximately \$0.07 per share.

Our stock based compensation expense during the first quarter is expected to be approximately \$440 thousand.

We expect to end the quarter with approximately \$27-28M in cash. The forecasted cash usage is primarily due to the timing of payments related to an increase in spending for new chip development which includes higher headcount and outside services expenses, as well as capital expenditures.

Before we move to the question and answer section of today's call, let me turn the call back over to Andy for his closing remarks.



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Andrew Pease, CEO, speaking

With a key discrete mobile FPGA opportunity shifting to an integrated solution and research companies forecasting another decline in tablet sales this year, delivering significant new product revenue growth in 2015 will be more challenging than I anticipated it would be last quarter.

The good news is our sensor hub design activity is running well above the expectations I had one quarter ago. This is a direct result of the strategic cornerstones we put in place during 2014.

While it's tough to forecast the production timing and volume potential for our sensor hub opportunities, an important point for investors to consider is that these opportunities carry higher gross profit margins relative to display bridges, and discrete, mobile FPGAs.

With our strategic cornerstones in place and a rapidly expanding engagement funnel, I believe that we are better positioned now than we have ever been to achieve long term growth, and profitability, and deliver higher shareholder value.

Operator, we would now like to open up the call for questions.



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Andrew Pease, CEO, speaking, after Q&A

During the next few months, we will be at the following industry events:

- Mobile World Congress in Barcelona in March
- The IoT Summit in Santa Clara in March where Doctor Timothy Saxe, our Chief Technology Officer, will be delivering the Keynote Address
- The Wearable Technology Conference and Expo in London in March
- And the Linley Mobile Conference in Santa Clara in April

Details will be included in our upcoming media alerts.

We thank you for your continued support and I look forward to reporting our strategic progress on the next earnings call which is scheduled for Wednesday April 29th, 2015.