

In the  
**Supreme Court of the United States**

EMULEX CORPORATION, ET AL.,  
*Petitioners,*

v.

GARY VARJABEDIAN AND JERRY MUTZA,  
*Respondents.*

ON WRIT OF CERTIORARI TO THE  
UNITED STATES COURT OF APPEALS FOR THE NINTH CIRCUIT

**JOINT APPENDIX – VOLUME II**  
**(Pages 235 to 255)**

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### ITEMS PREVIOUSLY REPRODUCED

In accordance with Supreme Court Rule 26.1, the following items have been omitted in printing this joint appendix because they appear on the following pages of the appendix to the Petition for a Writ of Certiorari (October 11, 2018):

Opinion of the United States Court of Appeals for the Ninth Circuit, <i>Varjabedian v. Emulex Corp., et al.</i> , 888 F.3d 399 (9th Cir. 2018) .....	1a
Order of the United States District Court for the Central District of California Granting Defendants’ Motion to Dismiss, <i>Varjabedian v.</i> <i>Emulex Corp., et al.</i> , 152 F. Supp. 3d 1226 (C.D. Cal. 2016) .....	27a
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# Discussion Materials for Project Emerald

**Goldman, Sachs & Co.**

February 25, 2015



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# Summary of Argo Proposal

## 28-Dec-2014 Capital Structure | FYE June

(\$ in millions, except per share data)

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	Offer
<b>Illustrative Price per Share</b>	<b>\$ 8.00</b>
<b>% Premium to:</b>	
Current	26.4 %
30 Day Average	24.0 %
90 Day Average	32.9 %
IBES Price Target	33.3 %
52 Week High	4.8 %
52 Week Low	79.4 %
Basic Shares (mm)	72.1
Options Dilution (mm)	0.3
Unvested Stock Awards (mm)	3.4
Diluted Sharecount (mm)	75.8
<b>Implied Market Capitalization</b>	<b>\$ 606</b>
(-) Total Cash	(185)
(+) Cash Paid for Cash-Settled Unit Awards	10
(+) Total Debt (Including Value for Convertible Make-Whole) <sup>1</sup>	178
<b>Implied Enterprise Value</b>	<b>\$ 609</b>

	Emerald (Street)	Emerald (Management)	QLGC	Networking & Storage Peers Median
PIE FY 2015	\$ 0.64	\$ 0.66	13.3 x	15.9 x
FY 2016	0.56	0.57	12.4 x	15.1
Cash Adj. PIE FY 2015	\$ 0.64	\$ 0.66	10.5 x	15.2 x
FY 2016	0.56	0.57	9.8	13.7
EBIT FY 2015	\$ 55	\$ 56	9.7 x	13.9 x
FY 2016	50	50	8.9	12.5
PIE FY 2015	\$ 0.86	\$ 0.86	13.3 x	15.9 x
FY 2016	0.57	0.57	12.4 x	15.1
Cash Adj. PIE FY 2015	\$ 0.66	\$ 0.66	10.5 x	15.2 x
FY 2016	0.57	0.57	9.8	13.7
EBIT FY 2015	\$ 56	\$ 56	9.7 x	13.9 x
FY 2016	50	50	8.9	12.5

Source: Emerald public filings, Emerald Management Projections, IBES, and Bloomberg. Market data as of 24-Feb-2015  
 Note: Basic share count and equity awards data as of 24-Feb-2015 per Emerald management. Assumes cash-settled unit awards are paid in cash per Emerald management guidance  
 Note: Cash-adjusted P/E calculated as (Share Price - Excess Cash Per Share) / (EPS - After-tax Interest Income on Excess Cash Per Share), assuming 0.5% interest income on cash, 10% tax rate for Emerald, and 35% tax rate for peers. Excess cash is defined as cash in excess of total debt  
 Note: Networking & Storage peers include Avago, Brocade, Marvell, Mellanox, PMC Sierra and Qlogic  
 1 Assumes cost of make-whole shares for 1.75% Convertible Senior Notes due 2018 settled all in cash upon change of control. Excludes accrued and unpaid interest.



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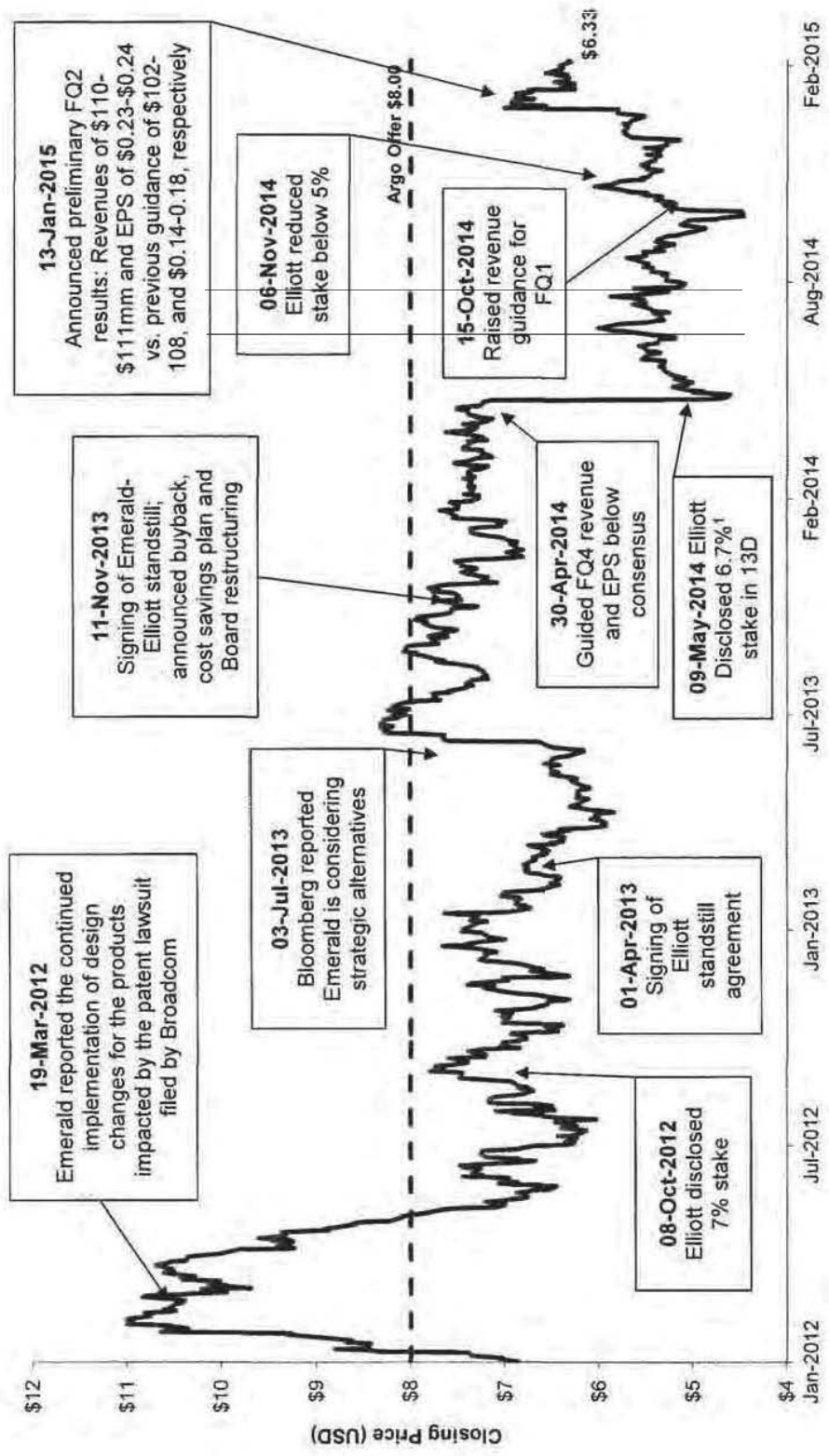
## I. Share Price Context



# Emerald Share Price History

## Last 3 Years

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Source: Bloomberg, Emerald public filings and press releases. Market data as of 24-Feb-2015.  
<sup>1</sup> Elliott's 6.7% stake is based on its ownership of 5.0mm Emerald shares as disclosed in the 09-May-2014 13D filing and the Company's 74.9mm fully diluted shares outstanding.





# Wall Street Perspectives

## Revenue, EBIT and EPS Estimates

(\$ in millions, except per share data)

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Firm	Estimate Date	Price Target	Δ to Current Stock Price	Rating	Revenue			EBIT			EPS			Valuation Methodology
					FY 2015	FY 2016	FY 2015	FY 2016	FY 2015	FY 2016	FY 2015	FY 2016	PE Mult.	
Argus	15-Jan-15			HOLD										
Barclays	07-Feb-15	\$ 6.00	(5.2)%	UNDERPERFORM	\$ 416	\$ 417	\$ 55	\$ 65	\$ 0.62	\$ 0.65	\$ 0.62	\$ 0.60		10x FY15
BMO Capital Markets	07-Feb-15	\$ 7.00	10.6%	HOLD	418	418	57	52	\$ 0.67	\$ 0.67	\$ 0.62	0.55		12x FY16
DA Davidson	07-Feb-15	\$ 7.25	14.5%	HOLD	416	400	62	57	0.67	0.67	0.67	0.55		
RBC	03-Feb-15	\$ 6.00	(5.2)%	HOLD	409	406	49	43	0.57	0.57	0.49	0.48		~13x FTM
Stifel Nicolaus	07-Feb-15			HOLD	417	416	54	42	0.63	0.63	0.48	0.48		
Summit Research	07-Feb-15	\$ 6.00	(5.2)%	HOLD	413	410	54	48	0.64	0.64	0.56	0.56		
<b>Current Consensus Median</b>		<b>\$ 6.00</b>			<b>\$ 416</b>	<b>\$ 413</b>	<b>\$ 55</b>	<b>\$ 50</b>	<b>\$ 0.64</b>	<b>\$ 0.64</b>	<b>\$ 0.56</b>	<b>\$ 0.56</b>		

Emerald Management Projections		
	\$ 423	\$ 402
% Delta vs. Current Consensus Median	1.6 %	(2.8)%

	\$ 56	\$ 50
	2.2 %	(0.3)%
	2.8 %	1.0 %

**Emerald Analyst Ratings: Hold: 86% | Underperform: 14%**

Source: Emerald Management Projections, IBES, and Wall Street Research as of 24-Feb-2015



# Historical and Projected Income Statement

FYE June

(\$ in millions, except per share data)

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Fiscal Year Ended June	Actuals					Emerald Management Projections					'14-'19 CAGR
	2013A	2014A	2015E	2016E	2017E	2018E	2019E	2018E	2019E		
<b>ECD Revenue</b>	\$ 465	\$ 413	\$ 393	\$ 366	\$ 381	\$ 381	\$ 389	\$ 381	\$ 381	\$ 389	(1.2)%
% Growth		(11.2)%	(4.9)%	(6.9)%	4.0%	4.0%	2.1%	0.1%	0.1%	2.1%	
<b>NVP Revenue</b>	\$ 13	\$ 34	\$ 30	\$ 36	\$ 43	\$ 51	\$ 56	\$ 51	\$ 51	\$ 56	10.7%
% Growth		157.0%	(12.4)%	20.0%	20.0%	20.0%	10.0%	20.0%	20.0%	10.0%	
<b>Total Revenue</b>	\$ 479	\$ 447	\$ 423	\$ 402	\$ 423	\$ 432	\$ 445	\$ 432	\$ 432	\$ 445	(0.1)%
% Growth		(6.5)%	(5.5)%	(5.0)%	5.4%	2.1%	3.0%	2.1%	2.1%	3.0%	
<b>ECD COGS</b>	\$(159)	\$(141)	\$(133)	\$(131)	\$(142)	\$(148)	\$(151)	\$(148)	\$(148)	\$(151)	
<b>ECD Gross Margin</b>	\$ 306	\$ 273	\$ 260	\$ 235	\$ 239	\$ 233	\$ 238	\$ 233	\$ 233	\$ 238	(2.7)%
% Margin	64.0%	66.0%	66.2%	64.3%	62.8%	61.1%	61.1%	61.1%	61.1%	61.1%	
<b>NVP COGS</b>	\$(3)	\$(6)	\$(7)	\$(9)	\$(11)	\$(13)	\$(14)	\$(13)	\$(13)	\$(14)	
<b>NVP Gross Margin</b>	\$ 10	\$ 27	\$ 23	\$ 27	\$ 32	\$ 38	\$ 42	\$ 38	\$ 38	\$ 42	9.0%
% Margin	2.1%	81.1%	77.5%	75.0%	75.0%	75.0%	75.0%	75.0%	75.0%	75.0%	
<b>Total COGS</b>	\$(162)	\$(147)	\$(140)	\$(139)	\$(152)	\$(161)	\$(165)	\$(161)	\$(161)	\$(165)	
<b>Gross Margin (ex. Mfg Var)</b>	\$ 316	\$ 300	\$ 283	\$ 262	\$ 271	\$ 271	\$ 280	\$ 271	\$ 271	\$ 280	(1.4)%
% Margin	66.1%	67.2%	67.0%	65.3%	64.0%	62.7%	62.9%	62.7%	62.7%	62.9%	
<b>Manufacturing Variances</b>	\$(9)	\$(6)	\$(8)	\$(7)	\$(6)	\$(6)	\$(7)	\$(6)	\$(6)	\$(7)	
<b>Gross Margin</b>	\$ 307	\$ 294	\$ 275	\$ 255	\$ 265	\$ 265	\$ 273	\$ 265	\$ 265	\$ 273	(1.5)%
% Margin	64.2%	65.8%	65.1%	63.6%	62.5%	61.3%	61.3%	61.3%	61.3%	61.3%	
<b>Operating Expense</b>	\$(238)	\$(239)	\$(220)	\$(206)	\$(202)	\$(198)	\$(204)	\$(198)	\$(198)	\$(204)	
<b>Non-GAAP EBIT</b>	\$ 69	\$ 55	\$ 56	\$ 50	\$ 63	\$ 67	\$ 69	\$ 67	\$ 67	\$ 69	4.6%
% Margin	14.5%	12.3%	13.2%	12.4%	14.8%	15.5%	15.5%	15.5%	15.5%	15.5%	
<b>Depreciation</b>	\$ 18	\$ 19	\$ 19	\$ 16	\$ 16	\$ 16	\$ 16	\$ 16	\$ 16	\$ 16	
<b>Adj. EBITDA</b>	\$ 88	\$ 74	\$ 74	\$ 66	\$ 79	\$ 83	\$ 85	\$ 83	\$ 83	\$ 85	2.9%
% Margin	18.3%	16.5%	17.6%	16.4%	18.6%	19.2%	19.2%	19.2%	19.2%	19.2%	
<b>Non-GAAP Net Income</b>	\$ 67	\$ 49	\$ 48	\$ 43	\$ 54	\$ 57	\$ 59	\$ 57	\$ 57	\$ 59	4.0%
% Margin	14.0%	10.9%	11.5%	10.7%	12.9%	13.3%	13.3%	13.3%	13.3%	13.3%	
<b>Non-GAAP Diluted EPS</b>	\$ 0.73	\$ 0.57	\$ 0.66	\$ 0.57	\$ 0.70	\$ 0.72	\$ 0.72	\$ 0.72	\$ 0.72	\$ 0.72	4.8%
% Growth		(22.3)%	15.9%	(14.0)%	23.3%	2.5%	0.3%	2.5%	2.5%	0.3%	

Source: Emerald public filings and Emerald Management Projections  
 Note: GAAP adjustments include patent litigation license fee, mitigation expense, restructuring / site closure, IRS NOPA fees, Eridace acquisition-related expenses, non-recurring severance and associated costs, Broadcom takeover attempt, in-process RSD impairment, and nightwatch impairment.



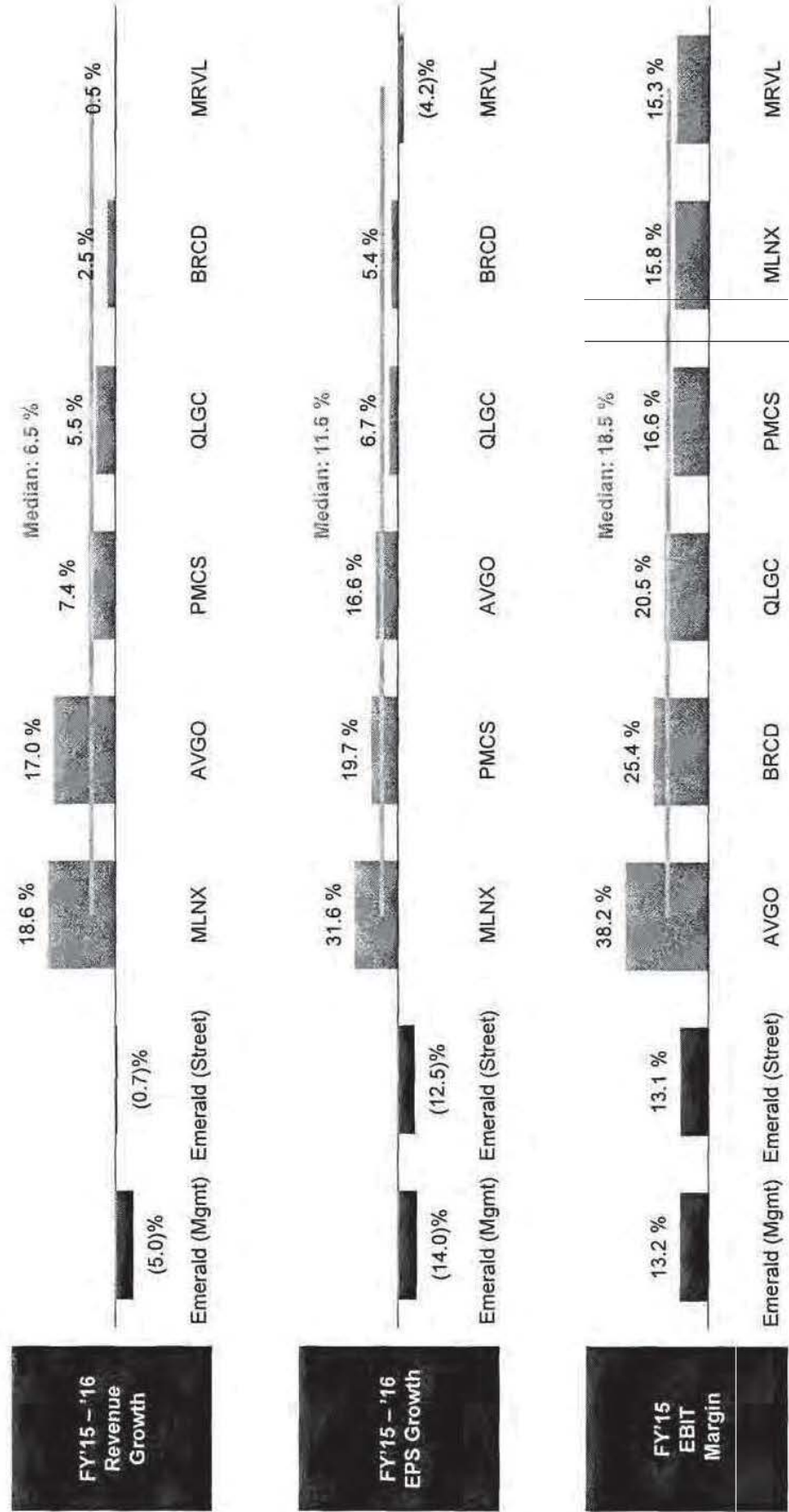
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## II. Valuation Analyses



# Operational Benchmarking

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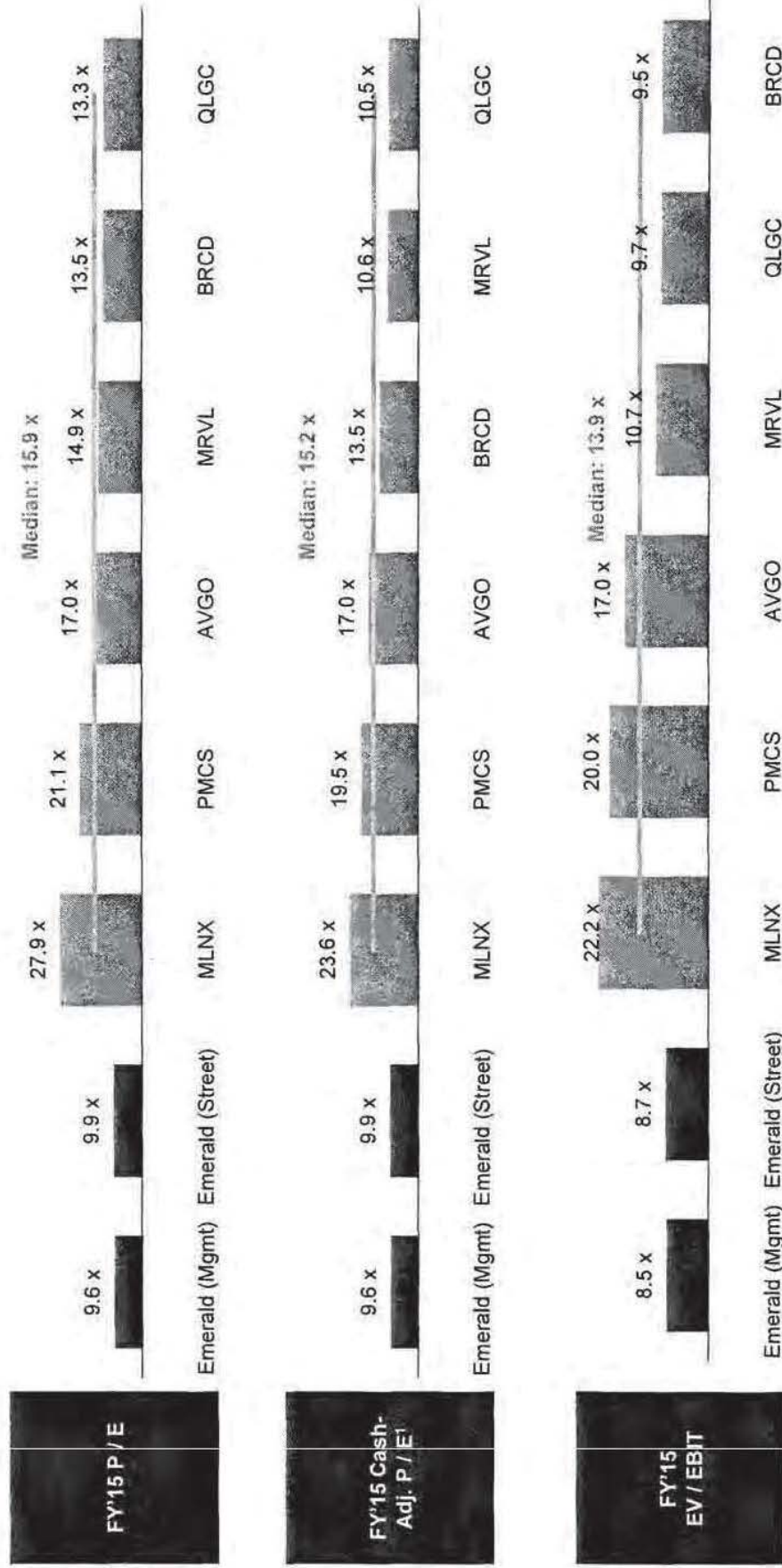


Source: Emerald Management Projections, Emerald public filings, and Wall Street research as of 24-Feb-2015. All estimates have been calendarized to June



## Comparison of Trading Multiples

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■ Emerald ■ Networking & Storage

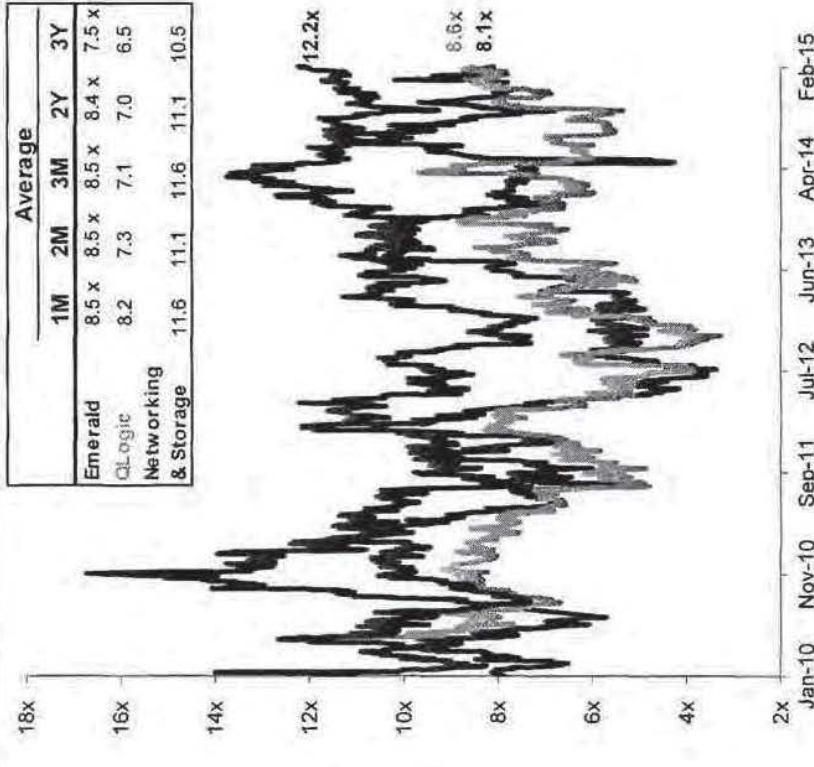
Source: Emerald Management Projections; Emerald public filings; and Wall Street research as of 24-Feb-2015. All estimates have been calendarized to June. Cash-adjusted P/E calculated as (Share Price - Excess Cash Per Share) / (EPS - After-tax Interest Income on Excess Cash Per Share), assuming 0.5% interest income on cash, 10% tax rate for Emerald, and 35% tax rate for peers. Excess cash is defined as cash in excess of total debt.



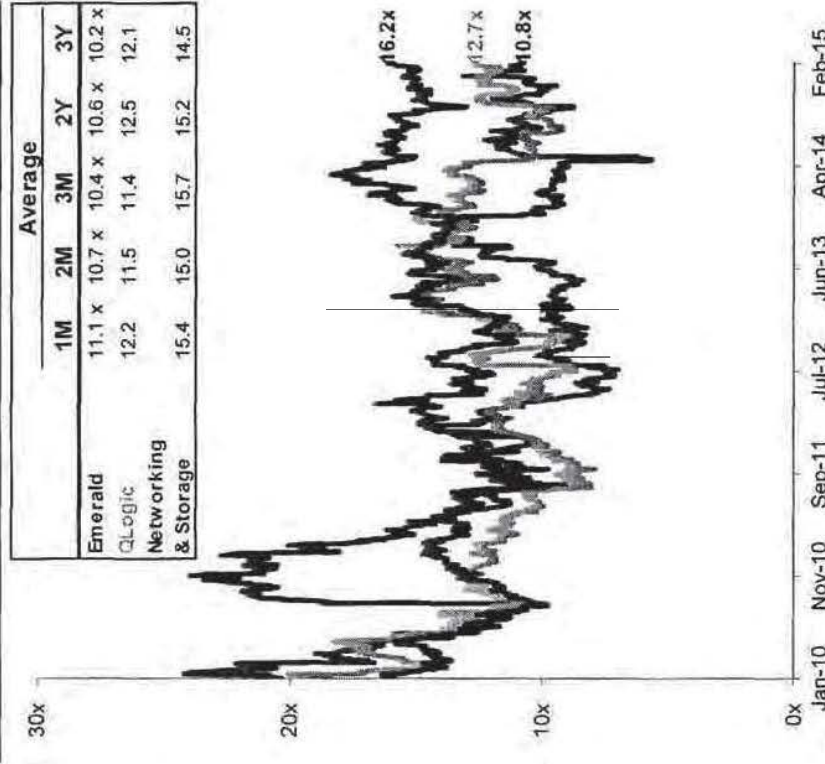
## Comparing Multiples Over Time vs. Peers Forward EBIT and P/E Multiples

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NTM EBIT Multiples



NTM P/E Multiples



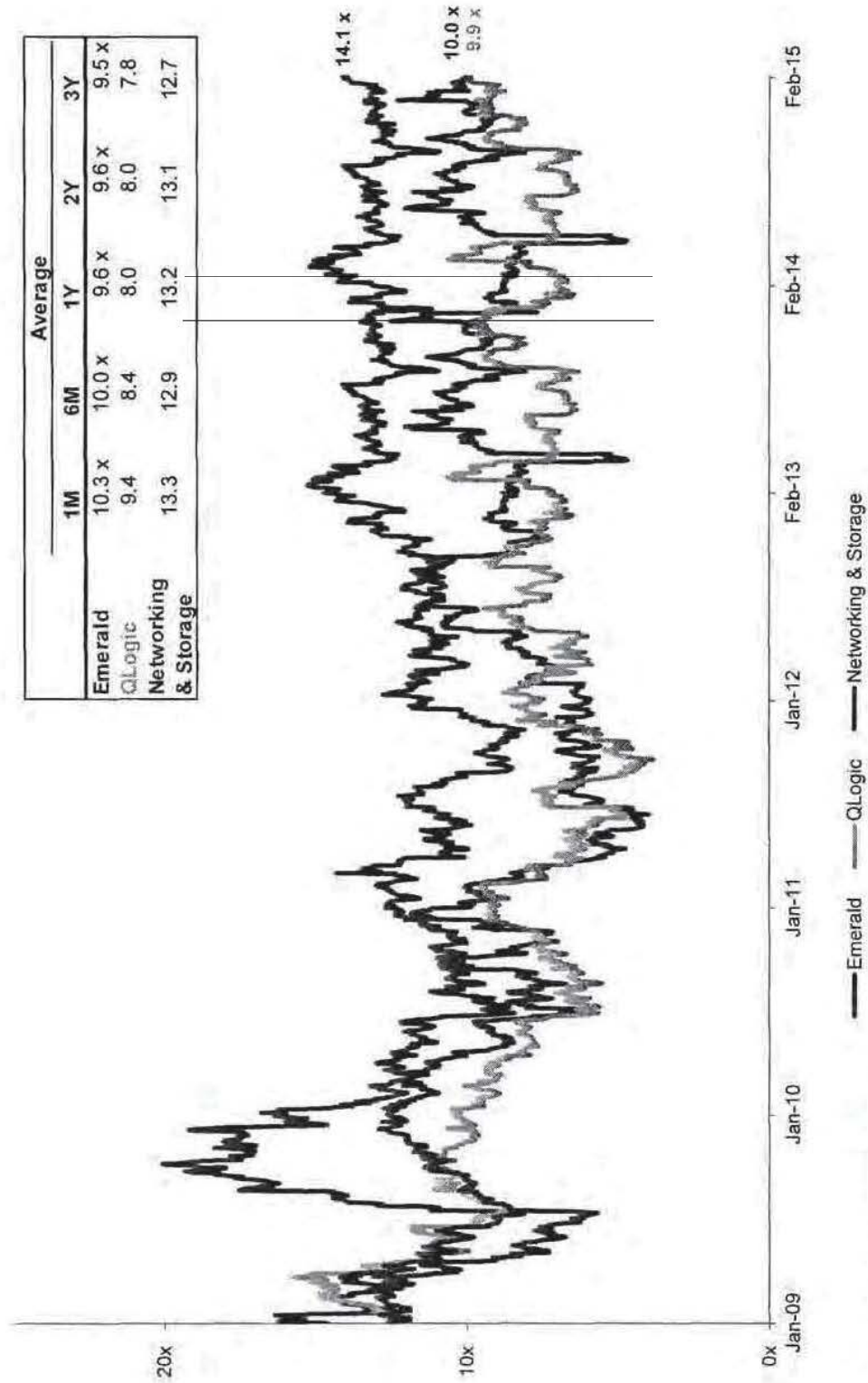
Source: Bloomberg, IBES, Emerald and applicable company filings, and Wall Street research as of 24-Feb-2015.  
Note: Networking & Storage peers include Avego, Brocade, Marvell, Mellanox, PMC Sierra and QLogic.



## Comparing Multiples Over Time vs. Peers

### Cash Adjusted NTM P/E Multiple Over Time

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Source: Bloomberg, IBES, Emerald and applicable company filings. Market data as of 24-Feb-2015.  
Note: Networking & Storage peers include Avago, Brocade, Marvell, Mellanox, PMC Sierra and QLogic. Cash-adjusted P/E adjusted for excess cash balances defined as cash greater than debt balance. Assumes 0.5% interest income on net cash and company-specific tax rate.



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# Illustrative Present Value of Future Share Price

Assumed Dec 2014 Effective Date

(\$ per share, unless otherwise noted)

## P / E Method

		FY 2016 P/E				
		9.0 x	10.0 x	11.0 x	12.0 x	
Mgmt	FY 16E EPS	\$ 0.57	\$ 4.77	\$ 5.30	\$ 5.83	\$ 6.36
	Mgmt					

		FY 2017 P/E				
		9.0 x	10.0 x	11.0 x	12.0 x	
Mgmt	FY 17E EPS	\$ 0.70	\$ 5.17	\$ 5.74	\$ 6.31	\$ 6.89
	Mgmt					

		FY 2018 P/E				
		9.0 x	10.0 x	11.0 x	12.0 x	
Mgmt	FY 18E EPS	\$ 0.72	\$ 4.65	\$ 5.17	\$ 5.68	\$ 6.20
	Mgmt					

## Cash Adj. P / E Method

		FY 2016E Cash Adj. P / E				
		8.0 x	9.0 x	10.0 x	11.0 x	
	FY 16E Cash Adj. EPS	\$ 0.56	\$ 4.55	\$ 5.08	\$ 5.60	\$ 6.13
	FY 16E Cash Per Share	\$ 0.35				
	Mgmt					

		FY 2017E Cash Adj. P / E				
		8.0 x	9.0 x	10.0 x	11.0 x	
	FY 17E Cash Adj. EPS	\$ 0.69	\$ 5.05	\$ 5.62	\$ 6.19	\$ 6.76
	FY 17E Cash Per Share	\$ 0.61				
	Mgmt					

		FY 2018E Cash Adj. P / E				
		8.0 x	9.0 x	10.0 x	11.0 x	
	FY 18E Cash Adj. EPS	\$ 0.71	\$ 4.95	\$ 5.46	\$ 5.97	\$ 6.48
	FY 18E Cash Per Share	\$ 1.20				
	Mgmt					

**Excess Cash<sup>1</sup>:**  
FY15: \$26mm  
FY16: \$46mm  
FY17: \$93mm

Source: Emerald Management Projections

Note: Equity multiples used to calculate future equity value, then discounted 0.5, 1.5, and 2.5 years (for FY16 / FY17 / FY18 respectively) using 13.9% cost of equity, which incorporates a size premium adjustment of 2.7%, representing the empirically observed excess historical market returns compared to the return predicted by Capital Asset Pricing Model (CAPM) for companies of Emerald's size. Share price is calculated with projected share count from Emerald Management Projections. Cash-adjusted EPS adjusted for excess cash balances defined as cash greater than debt balance. Assumes 0.5% interest income on excess cash and 10% tax rate

<sup>1</sup> Basic share count and equity awards data as of 24-Feb-2015 per Emerald management. Assumes cash-settled unit awards are paid in cash per Emerald management guidance.





# Illustrative DCF Analysis

## Cash Flows | FYE June

(\$ in millions)

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FY Ended June	Actuals		Emerald Management Projections				Terminal Year
	2013	2014	H2 2015	2016	2017	2018	
<b>Income Statement</b>							
Revenue	\$ 479	\$ 447	\$ 208	\$ 402	\$ 423	\$ 432	\$ 445
% Growth		(6.5)%		(5.0)%	5.4%	2.1%	3.0%
C:OGS (inc. Mfg. Variances)	(171)	(153)	(74)	(146)	(159)	(167)	(172)
Gross Profit	\$307	\$294	\$ 134	\$255	\$265	\$265	\$273
% Margin	64.2%	65.8%	64.6%	63.6%	62.5%	61.3%	61.3%
Operating Expenses	(238)	(238)	(112)	(206)	(202)	(198)	(204)
Non-GAAP EBIT	\$69	\$55	\$ 23	\$50	\$63	\$67	\$69
% Margin	14.5%	12.3%	10.9%	12.4%	14.8%	15.5%	15.5%
Taxes	(2)	(4)	(1)	(3)	(5)	(6)	(6)
% Tax Rate	3.4%	8.0%	4.4%	7.0%	7.9%	9.1%	9.1%
D&A	18	19	9	16	16	16	16
EBITDA	\$ 88	\$ 74	\$ 32	\$ 66	\$ 79	\$ 83	\$ 85
% Margin	18.3%	16.5%	15.4%	16.4%	18.6%	19.2%	19.2%
<b>Cash Flow Items</b>							
EBITDA	\$ 88	\$ 74	\$ 32	\$ 66	\$ 79	\$ 83	\$ 85
(-) Taxes <sup>1</sup>	(2)	(4)	(1)	(3)	(5)	(6)	(7)
(-) Capex <sup>2</sup>	(16)	(16)	(8)	(16)	(16)	(16)	(17)
(-) Change in NWC	(55)	11	4	2	(6)	(4)	(4)
Unlevered FCF Before Adjustments	\$ 14	\$ 65	\$ 27	\$ 48	\$ 52	\$ 57	\$ 58
<b>After-Tax Adjustments:</b>							
Mitigation Expense	(8)	(9)	(0)	0	0	0	0
Restructuring / Site Closure	0	(7)	0	0	0	0	0
IRS NOPA Fees	0	(1)	(0)	0	0	0	0
IRS NOPA - Cash Payment	0	0	0	(20)	0	0	0
Broadcom Royalty	(1)	(2)	(2)	(2)	(2)	(2)	(2)
Broadcom License Amortization	(4)	(4)	(2)	(3)	(2)	(2)	(2)
Stock Based Comp	(21)	(14)	(8)	(12)	(15)	(13)	(13)
Other <sup>3</sup>	(9)	(2)	2	1	1	1	0
Unlevered FCF	\$(29)	\$ 26	\$ 17	\$ 13	\$ 36	\$ 44	\$ 46
% Margin	(6.0)%	5.8%	8.3%	3.1%	8.5%	10.2%	10.3%
% Conversion	(32.7)%	34.8%	53.9%	19.1%	45.9%	53.0%	53.5%
% Growth		NM		(68.1)%	187.8%	21.2%	4.1%

Source: Emerald Management Projections  
<sup>1</sup> Assumes a 10% effective tax rate in the terminal year based on management guidance.  
<sup>2</sup> Assumes terminal year capex is equal to 105% of depreciation.  
<sup>3</sup> Other includes cash expenses related to Endeavor acquisition-related expenses, non-recurring severance and associated costs, and tax effect of US GAAP valuation allowance.



## Illustrative DCF Analysis Assumed Dec 2014 Effective Date

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### Price Per Share

	Perpetuity Growth Rate				
	2.0 %	2.5 %	3.0 %	3.5 %	4.0 %
11.0 %	\$ 5.98	\$ 6.25	\$ 6.56	\$ 6.90	\$ 7.30
11.5 %	5.66	5.90	6.17	6.48	6.82
12.0 %	5.38	5.59	5.83	6.10	6.40
12.5 %	5.13	5.32	5.53	5.76	6.03
13.0 %	4.89	5.07	5.25	5.46	5.69

Discount Rate
---------------

	Perpetuity Growth Rate				
	2.0 %	2.5 %	3.0 %	3.5 %	4.0 %
11.0 %	7.5 x	8.0 x	8.5 x	9.0 x	9.7 x
11.5 %	7.1	7.5	8.0	8.5	9.0
12.0 %	6.8	7.2	7.6	8.0	8.5
12.5 %	6.5	6.8	7.2	7.6	8.0
13.0 %	6.2	6.5	6.8	7.2	7.6

Discount Rate
---------------

### Terminal NTM EBIT Multiple

Source: Emerald Management Projections  
 Note: Analysis reflects a 4.5 year DCF from Dec 2014 (Q2 FY15) to June 2019 (FY19)  
 Note: WACC range informed by current market-based inputs and capital structure assuming excess cash; levered beta as of 24-Feb-2015  
 Note: Basic share count and equity awards data as of 24-Feb-2015 per Emerald management. Assumes cash-settled unit awards are paid in cash per Emerald management guidance



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**Appendix A: Additional Materials**



## Selected Public Trading Comparables

### Networking & Storage Peers | Calendarized to June FYE

(\$ in millions, except per share data)

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Company	Closing Price 24-Feb-2015	% of 52 Week High	Adjusted Equity Market Cap	Adjusted Enterprise Value	Enterprise Value Multiples		Calendarized P/E Multiples		Calendarized Cash Adj. P/E Multiples		FY'15-16 Revenue Growth	FY'15-16 EPS Growth	FY'15 EBIT Margin	5-Year EPS CAGR	FY'15 Debt/ EBITDA
					2015	2016	2015	2016	2015	2016					
Emerald (Management)	\$ 6.33	83%	\$ 479	\$ 477	8.5 x	9.6 x	9.6 x	11.2 x	9.6 x	11.1 x	(5.0)%	(14.0)%	13.2%	4.7%	2.4 x
Emerald (Street)	6.33	83%	\$ 479	\$ 477	8.7 x	9.5 x	9.9 x	11.3 x	9.9 x	11.3 x	(0.7)%	(12.5)%	13.1%	10.0%	1.9 x
<b>Networking &amp; Storage Peers</b>															
Avago	\$ 113.18	100%	\$ 33,962	\$ 37,504	17.0 x	14.0 x	17.0 x	14.6 x	17.0 x	14.6 x	17.0%	16.6%	38.2%	33.8%	2.1 x
Marvell	16.18	96	8,570	6,030	10.7	10.9	14.9	15.5	10.6	11.1	0.5	(4.2)	15.3	6.0	0.0 x
Brocade	12.42	98	5,371	5,430	9.5	9.4	13.5	12.8	13.5	12.8	2.5	5.4	25.4	5.0	1.7 x
Mellanox	46.55	97	2,246	1,866	22.2	16.3	27.9	21.2	23.6	17.8	16.6	31.6	15.8	36.6	0.0 x
PMC-Sierra	9.39	98	1,964	1,806	20.0	17.3	21.1	17.6	19.5	16.3	7.4	19.7	16.6	NA	0.0 x
QLogic	14.64	98	1,338	1,050	9.7	8.9	13.3	12.4	10.5	9.8	5.5	6.7	20.5	9.6	0.0 x
Mean		98%			14.9 x	12.8 x	17.9 x	15.7 x	15.8 x	13.7 x	8.6%	12.6%	22.0%	18.2%	0.6 x
Median		98			13.9	12.5	15.9	15.1	15.2	13.7	6.5	11.6	18.5	9.6	0.0 x

Source: Emerald Management Projections, Bloomberg, IBES, Emerald and applicable company filings, and press releases. Market data as of 24-Feb-2015

Note: Estimates calendarized to June year-end.

Note: Basic share count and equity awards data for Emerald as of 24-Feb-2015 per Emerald management. Assumes cash-settled unit awards are paid in cash per Emerald management guidance

Note: Cash-adjusted P/E calculated as (Share Price - Excess Cash Per Share) / (EPS - After-tax Interest Income on Excess Cash Per Share), assuming 0.5% interest income on cash, 10% tax rate for Emerald, and 35% tax rate for peers. Excess cash is defined as cash in excess of total debt.



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# WACC Calculation for Emerald

## Based on Historical Axioma Beta as of 24-Feb-2015

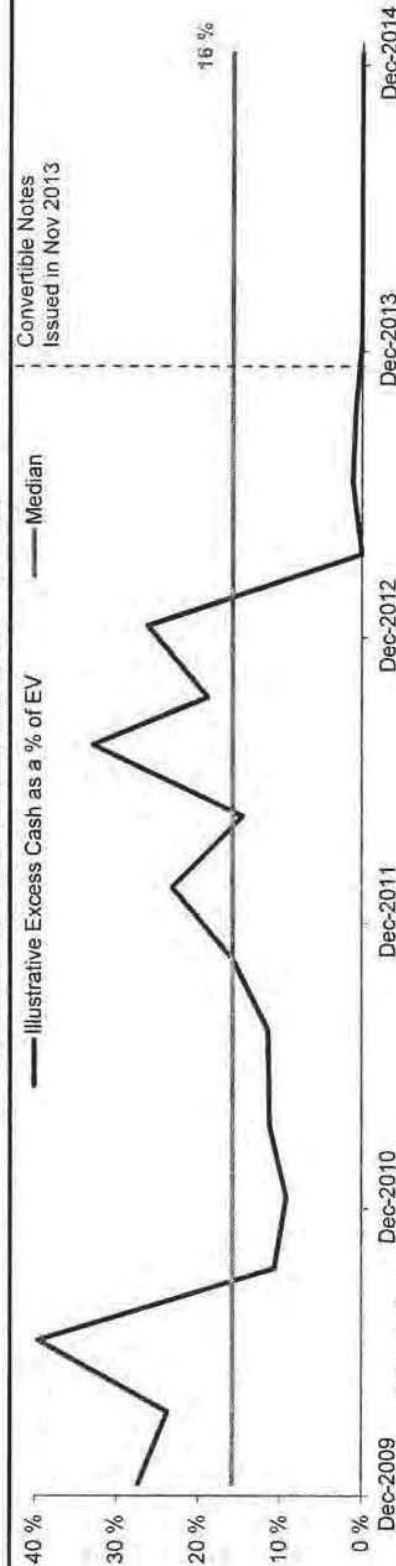
### WACC Assumptions

Gross Debt / (Debt - Cash + Equity)	0.0 %
Permanent Cash / (Debt - Cash + Equity)	10.0 %
Equity / (Debt - Cash + Equity)	110.0 %
<b>Implied Debt to Cap</b>	<b>(10.0)%</b>
<b>Implied Debt / Equity Ratio</b>	<b>(0.1)x</b>
Risk-Free Rate <sup>1</sup>	2.38 %
Equity Beta <sup>2</sup>	1.27
Equity Risk Premium <sup>3</sup>	6.96 %
<b>Cost of Equity</b>	<b>11.2 %</b>
Pre-Tax Cost of Debt	6.0 %
Marginal Tax Rate <sup>4</sup>	10.0 %
After-Tax Cost of Debt	5.4 %
Cash Yield	0.5 %
After-Tax Cash Yield	0.5 %
<b>WACC</b>	<b>12.3 %</b>

### Weighted Average Cost of Capital

Permanent Cash as % of EV					
0.0 %	5.0 %	10.0 %	15.0 %	20.0 %	25.0 %
11.2 %	11.7 %	12.3 %	12.8 %	13.3 %	13.9 %

### Historical Illustrative Excess Cash Balance<sup>5</sup>



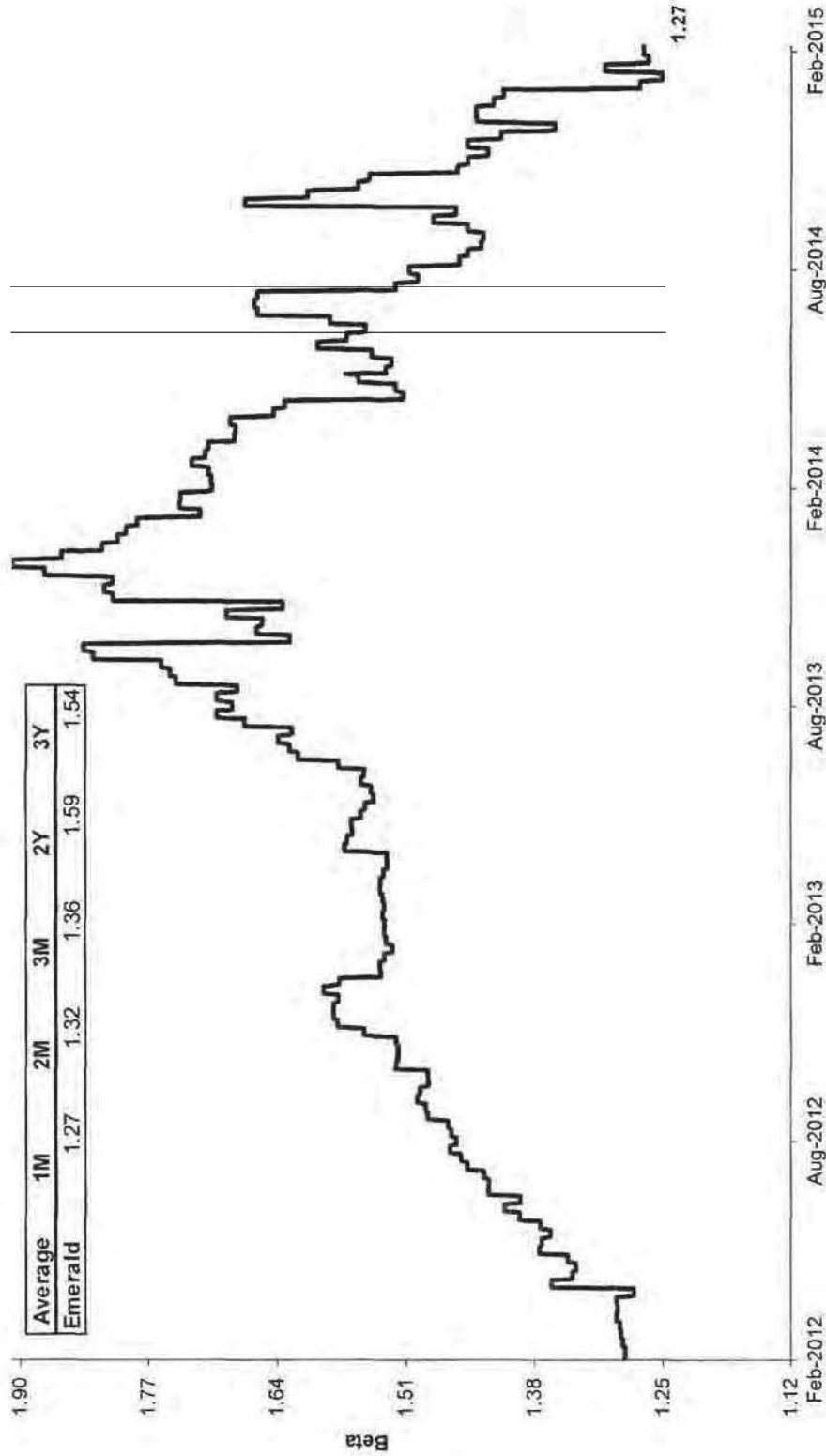
Source: Axioma, Ibbotson and latest publicly available financial statements  
<sup>1</sup> Risk Free Rate per US Gov't, 5.38% due Feb 2031 as of 24-Feb-2015.  
<sup>2</sup> Historical Axioma Beta as of as of 24-Feb-2015.  
<sup>3</sup> Assumes equity risk premium of 6.96% per Ibbotson.  
<sup>4</sup> Marginal tax rate per Emerald management guidance.  
<sup>5</sup> Illustrative excess cash assumes \$100mm in permanent cash, and is calculated as (Net Cash - Permanent Cash) / Enterprise Value.



# Emerald Beta Over Time

## Last 3 Years

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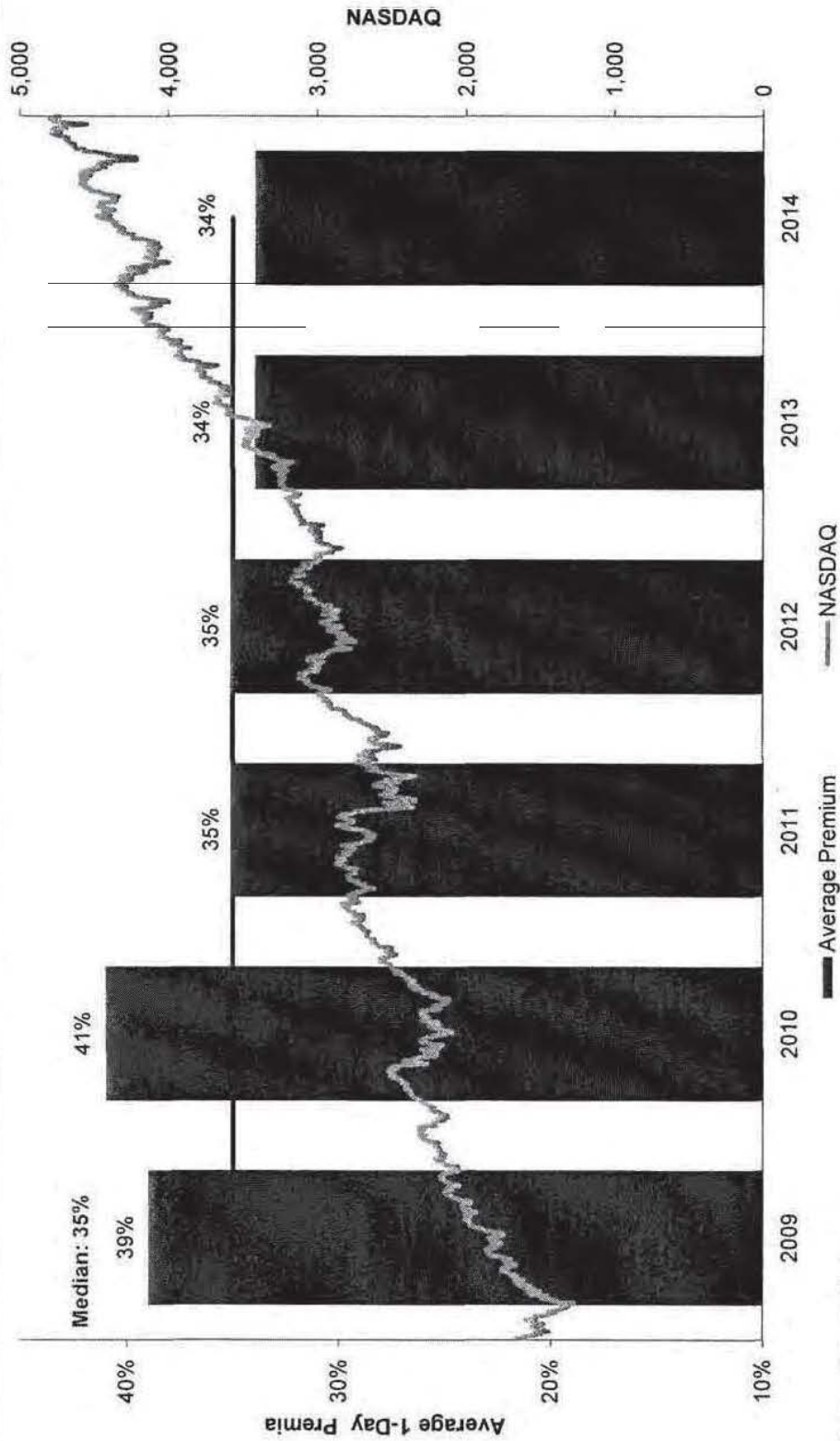
Source: Axioma Indices as of 24-Feb-2015



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## Perspectives on M&A Premia For All Cash Deals

Acquisition Premia in US Tech M&A<sup>1</sup>



Source: Thomson Reuters

<sup>1</sup> Reflects the premium relative to the target's stock price 1-day prior to announcement. Excludes transactions with premiums in excess of 150% or less than (50)%. SDC screen excludes share buybacks and acquisitions of partial interest if the percentage of shares owned after the transaction is below 50%.



# Selected Semiconductor Transactions

(\$ in millions)

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Announce Date	Acquirer	Target	Equity Consideration <sup>1</sup>	Enterprise Value	Premium Over Undisturbed <sup>2</sup>	Premium Over 52-Wk High	Target's 1 Year Forward Multiple <sup>3</sup>	Net Income
<b>2014</b>								
10/14/2014	Qualcomm	CSR	\$ 2,500	\$ 2,190	56.5 %	11.6 %	2.7 x	25.7 x
8/22/2014	Murata	Peregrine	489	471	62.5	7.4	2.6	NM
8/20/2014	Infinion	International Rectifier	3,019	2,400	50.6	39.3	2.0	26.5
6/23/2014	Avago	PLX Technology	309	293	9.4	(4.8)	2.5	23.8
6/16/2014	SanDisk	Fusion-IO	1,274	1,100	21.2	(27.0)	2.5	NM
6/9/2014	Analog	Hittite Microwave	2,466	1,974	34.7	NA	6.2	29.4
2/10/2014	Microchip	Supertex	389	246	23.4	21.6	3.3	42.0
4/29/2014	Cirrus Logic	Wolfson	488	467	77.4	NA	2.5	99.0
Mean					42.0 %	8.0 %	3.0 x	41.1 x
Median					42.6	9.5	2.6	27.9
<b>2013</b>								
12/16/2013	Avago	LSI	7,020	6,355	46.9	NA	2.7	19.4
8/15/2013	Maxim	Volterra	633	478	55.4	(10.5)	3.2	31.5
Mean / Median					51.2 %	(10.5)%	3.0 x	25.4 x
<b>2012</b>								
7/27/2012	Apple	AuthenTec	\$ 393	\$ 374	57.8 %	49.8 %	4.4 x	79.1 x
5/2/2012	Microchip	Standard Microsystems	970	808	37.9	31.0	1.9	24.8
Mean / Median					47.8 %	40.4 %	3.2 x	51.9 x
<b>2011</b>								
5/26/2011	Skyworks	Advanced Analogic Tech	\$ 265	\$ 181	51.0 %	22.4 %	1.6 x	73.5 x
7/20/2011	Microsemi	Zarlink	601	480	66.5	49.6	1.7	15.5
9/12/2011	Broadcom	NetLogic	3,912	3,693	56.7	14.4	7.4	27.8
4/4/2011	Texas Instruments	National Semiconductor	6,400	6,543	77.7	56.3	4.2	20.8
1/5/2011	Qualcomm	Atheros	3,807	3,241	21.6	2.5	3.0	20.6
Mean					54.7 %	29.0 %	3.6 x	31.6 x
Median					56.7	22.4	3.0	20.8
Mean					44.8 %	17.6 %	3.0 x	35.0 x
Median					50.8	14.4	2.7	26.1

Source: Press Releases and Bloomberg  
<sup>1</sup> Represents fully diluted equity consideration at time of announcement as calculated with latest publicly available filings.  
<sup>2</sup> Represents premium to closing price on date prior to first mention in publicly available news source.  
<sup>3</sup> IBES 1 year forward estimates at the time of announcement.