

# CEO Letter to Shareholders

Dear Shareholders,

Fiscal 2015 was a year of financial growth for Sigma, marked by significant expansion of our product portfolio and our emergence as a market leader in Internet of Things (IoT) devices and SmartTVs. This positive momentum was driven by technical innovation, and resulted in sequential quarterly revenue expansion and gross margins above 50%. Through strong cost controls moderating operating expenses, we returned the Company to non-GAAP profitability starting mid-year, and continued our improvement into fiscal 2016.

Our Smart TV business came into its own last year as our latest generation 4K UHD TV chipsets took center stage. We launched our unique and very successful participation in Roku-based televisions, produced by TCL, HiSense, Sharp, and Haier, and continued as a primary provider of 4K solutions for Vizio, driving increased volume and innovation. We were the first to bring Dolby Vision imaging technology to market, helping to usher in the era of High Dynamic Range (HDR) technology. We ramped shipments of our SX6 SoC and FRCX frame-rate conversion processor, and launched the new 4KTV SoC with Ultra HD HDR, positioning us for expanded opportunities.

Last year was also a tremendous year of growth for our IoT Devices business, powered by our industry leading Z-Wave smart home technology. Sales of Z-Wave chips and modules, including the new 500 series, grew by 50 percent over the prior year, fueled by service provider deployments, global market expansion and new product introductions—bringing the worldwide total to more than 35 million Z-Wave enabled devices. Z-Wave is now the dominant global standard, with over 90% share of the US home security market, telcos such as AT&T, Verizon, and Orange Telecom choosing Z-Wave, and distribution in retail stores across the US and Europe. We expect this momentum to continue with IoT related revenue growing at least 50% in fiscal 2016.

Our set-top box product-line remained a steady contributor with increased opportunities for future growth. Virtually all our customers are engaged in evaluation of our new ARM-based products with HEVC decoding, HD or 4K resolution, and cloud-based architectures, mirroring the market trends. We expect this product refresh to have a positive impact on our business starting in calendar 2016. Likewise, fiscal 2015 represented a year of stable deployments for our Media Connectivity products. Our unique HPNA chips continued to deploy at high volumes. However, the future lies in our robust G.hn technology, which entered trials at 10 service providers during the year and is positioned to become a valuable new standard as the world moves toward 4KTV.

As we move forward, Sigma is well aligned with the mega-trends of the industry – including 4KTV, Internet of Things and cloud computing. We are in the midst of a dynamic period of technology transition and are excited about the future of Sigma Designs. We appreciate your interest and look forward to continuing to grow together.



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