

Company Name: Microsemi  
Company Ticker: MSCC US  
Date: 2008-07-15  
Event Description: Acquisition of SEMICOA by  
Microsemi Call

Market Cap: 2,053.00  
Current PX: 26.11  
YTD Change(\$): +3.97  
YTD Change(%): +17.931

Bloomberg Estimates - EPS  
Current Quarter: 0.358  
Current Year: 1.319  
Bloomberg Estimates - Sales  
Current Quarter: 134.467  
Current Year: 613.867

## Acquisition of SEMICOA by Microsemi Call

### Company Participants

- Terri Donnelly, Company Representative
- James J. Peterson, President and Chief Executive Officer

### Other Participants

- Rick Schafer
- Steven Smigie
- Andrew Huang
- Craig Berger
- Patrick Wang
- Rahul Kanvarker
- Nicholas Aberle
- Romit Shah
- Vijay Rakesh
- John Hohener

## MANAGEMENT DISCUSSION SECTION

### Operator

Good morning. My name is Vanessa and I will be your conference operator today. At this time, I'd like to welcome everyone to the Microsemi's Accretive Acquisition of SEMICOA Conference Call.

[Operator Instructions] Thank you. I will now turn the conference over to Ms. Terri Donnelly. Please go ahead, ma'am.

### Terri Donnelly, Company Representative

Good morning and welcome to Microsemi's conference call regarding its just completed acquisition of SEMICOA. I am Terri Donnelly, coordinator of this call. In a few moments, you will hear from and have an opportunity to ask questions of Jim Peterson, our President and Chief Executive Officer.

Let me remind you that during the course of this conference call, management may state beliefs and make projections or other forward-looking statements regarding future events and/or the future financial performance of the company including, without limitation, statements about expectations concerning the benefits of the SEMICOA acquisition and the expectation that the acquisition will be accretive. These statements reflect our expectations as of today and are subject to change and to inherent known and unknown risks and uncertainties. Actual results could differ materially from those projected or reflected in our forward-looking statements. Microsemi undertakes no obligation to update these or any forward-looking statements, whether as a result of new information, future events or otherwise.

We refer you to the risk factors set forth in Microsemi's report on Form 10-K for the fiscal year ended September 30, 2007, which was filed with the SEC on November 21, 2007 and Form 10-Q for the quarter ended March 30, 2008, which was filed with the SEC on May 6, 2008. Information about Microsemi filed with the SEC is available free of charge at [www.sec.gov](http://www.sec.gov). These reports identify important factors that could cause actual results to differ materially from our projections.

Bloomberg

Company Name: Microsemi  
Company Ticker: MSCC US  
Date: 2008-07-15  
Event Description: Acquisition of SEMICOA by  
Microsemi Call

Market Cap: 2,053.00  
Current PX: 26.11  
YTD Change(\$): +3.97  
YTD Change(%): +17.931

Bloomberg Estimates - EPS  
Current Quarter: 0.358  
Current Year: 1.319  
Bloomberg Estimates - Sales  
Current Quarter: 134.467  
Current Year: 513.867

That said, we can begin. Here's Jim Peterson.

## James J. Peterson, President and Chief Executive Officer

Thank you, Terri, and thank you to everyone who has called in this morning to discuss our accretive acquisition of SEMICOA. We're excited about this acquisition and want to spend a few minutes with you this morning to discuss the rationale and the benefits of the transaction in advance to our normal quarterly conference call, which will be on July 24 at 1:45 California Time. We will not be discussing revenue and earning expectations for the Microsemi for the quarter. And I'm also kind of encouraging you guys not to do model changes, right, upon this acquisition, but kind of wait until the earnings release call on the 24th where I will give you some additional good news.

Before I discuss more of the details, let me give you some background of SEMICOA. SEMICOA is a private company. They are located in Costa Mesa, California, about a stone's throw from our corporate headquarters. The company was founded in 1968 and it's certainly a leading designer and manufacturer of high reliability devices for the military, aerospace and satellite markets. SEMICOA has been one of the strongest private players and a strong competitor of Microsemi in a number of product markets over the years.

Now, turning to the acquisition. We acquired substantially all of the assets of SEMICOA for \$25 million in cash. Not only is this acquisition accretive, but it also offers considerable synergies and opportunities for Microsemi. Let me take a moment to review some of the top considerations.

First, it continues our consolidation of the high reliability space and brings Microsemi additional sole-sourced revenues. Second, with the acquisition of SEMICOA technologies, we are able to broaden our penetration of new high reliability markets such as Rad Hard, power management and smart munitions optoelectronics. Third and perhaps the most important, given our strong and growing backlog, this acquisition provides back-end capacity at a discount to current market rates and customary timing considerations. It is this newly acquired burn-in equipment we will ultimately move to our Ireland facility thus increasing capacity while benefiting from operational advantages in Ireland.

While I will not give you the official guidance until next week's quarterly conference call on July 24, I want to assure everyone in advance that this acquisition once again is accretive from day one as SEMICOA's current operating model is in-line with our blended profitability metrics. With that said, given the significant head count and facility overlap as well as our own expectations for increased front-end capacity utilization and back-end throughput, we see significant sizing and consolidation opportunities and other synergies. As such, we conservatively see this \$25 million acquisition paying for itself in on or about 24 months time. Again, we will not provide further revenue or earnings guidance at this time. We invite you to attend the conference call on the 24th, 1:45 California Time.

Again, thank you for your attention this morning. And at this time, I will open up the questions to analysts and institutional investors. Vanessa?

## Q&A

### Operator

[Operator Instructions] Your first question comes from the line of Rick Schafer with Oppenheimer.

<Q - Rick Schafer>: Hey, good morning, guys. Congrats on the acquisition, Jim.

<A - James Peterson>: Hey, thank you. Good morning, Mr. Schafer.

<Q - Rick Schafer>: I just had a couple of questions for you. One, just on the -- one of the things you mentioned there towards the end, can you, is there any way to quantify some of that impact on your ability to alleviate some of your back-end package and test constraints especially on the satellite narrow?

Bloomberg

Company Name: Microsemi  
Company Ticker: MSCC US  
Date: 2008-07-15  
Event Description: Acquisition of SEMICOA by  
Microsemi Call

Market Cap: 2,053.00  
Current PX: 26.11  
YTD Change(\$): +3.97  
YTD Change(%): +17.831

Bloomberg Estimates - EPS  
Current Quarter: 0.358  
Current Year: 1.319  
Bloomberg Estimates - Sales  
Current Quarter: 134.467  
Current Year: 513.867

<A - James Peterson>: Yeah, it's not going to give us a tremendous amount on the front-end of this. They do, they recently received some very high-tech, burn-in, back-end equipment and we'll be looking at that equipment and we'll be measuring the productivity of that equipment. And then over a period of time we'll be moving that equipment into most likely our Ireland facility. So, it's not going to be a short fix, but it certainly gives us access to additional burn-in equipment, which was one of the priorities.

<Q - Rick Schafer>: Okay. And then in terms of their front-end stuff, are you going to keep the fab that's local or is that going to - it sounds like they were fab, so it sounds like you may get rid of that fab?

<A - James Peterson>: We acquired the assets only, Schaf. In the full closure I think we have about a two-year lease. If we're active, as I assume we will be, in the order of about one year, Ralph will have that stuff moved out of that fab. We will move a lion's share of that into our Lawrence facility, may be a bit into Garden Grove depending on how we do the research.

And then of course the back-end, we've not yet done metal cans over in Ireland, but it certainly is -- it will be one of our items that we'll discuss in our General Managers meeting this week as to if and when and how we can take advantages of moving some product to the back-end in Ireland. So, there will be considerably -- the word I am using is sizing from a head count.

<Q - Rick Schafer>: Got it. And then just one other one. I'm just curious, can you give us an idea of the level of sales here and what their margins look like at SEMICOA?

<A - James Peterson>: Yeah, when this thing is sized, which will take us certainly before 1 October, their margins are equal to our business metrics or slightly ahead. I haven't put a revenue number out there now, we are getting ready -- I just want to see what the first quarter looks like. I think slightly above two times revenue.

<Q - Rick Schafer>: Okay.

<A - James Peterson>: Because these are extremely proprietary products, it also gives us great access to Rad Hard product. Anything that's Rad Hard, space, satellite either is high margin or the highest margin in the company or I'm here to tell you it will be. Right now we're looking at the team, we're looking at the technologies, we are looking at the manufacturing economies, we are looking at the cost of product. And then of course we'll look what the market will bear for this product.

<Q - Rick Schafer>: Got it. Oh, I just thought of another one, any special regulatory approvals or anything like that that you need given the nature of the business you're buying?

<A - James Peterson>: No, not necessarily, it's under Hart-Scott Rodino. As far as anti-trust, there are many companies that are in this business. Read our K. Some are not shy to advertise that they want to toe dip in our spaces for the next, oh they like to enter for two, three, five years and then get out. The difference here is that we're committed to it. We'll do 3 to \$400 million and continue to grow in this market space. We are the leader and we are going to continue to be in this space for the next 10, 20 plus years.

<Q - Rick Schafer>: Great. Thanks, congrats again.

## Operator

Your next question comes from the line of Steve Smigie with Raymond James.

<Q - Steven Smigie>: Great, thank you. So you mentioned that roughly two times revenue, so it was about 12.5 million revenue in '07 or something like that?

<A - James Peterson>: Well, like I said, I'm not going to really discuss the revenue until the earnings call, but I said I paid slightly above two times.

<Q - Steven Smigie>: Okay.

Bloomberg

Company Name: Microsemi

Company Ticker: MSCC US

Date: 2008-07-15

Event Description: Acquisition of SEMICOA by  
Microsemi Call

Market Cap: 2,053.00

Current PX: 26.11

YTD Change(\$): +3.97

YTD Change(%): +17.931

Bloomberg Estimates - EPS

Current Quarter: 0.358

Current Year: 1.319

Bloomberg Estimates - Sales

Current Quarter: 134.467

Current Year: 513.867

<A - James Peterson>: And there's going to be some overlap of product. And within Microsemi's organization if I find some good margin product, I will focus on that one industrial box that has real low margin. I might walk away from a little bit of ugly revenue stuff. So don't build your models yet, wait till the 24th and then I will give you some more insight as to where we think this thing's going to go.

<Q - Steven Smigie>: From a product synergy perspective can you talk a little bit about how complementary the new products are with your existing products?

<A - James Peterson>: Yes, there's probably 70% overlap of product. I haven't done the full testing as to which one we think performs better. Once I get the team in there, we start looking at how they manufacture the product and the yielding of their product, we'll have a better feel for it.

But this really is going to help us, maybe it did, product that adds to our portfolio. We'll get nicely in the Rad Hard space area. They've got tremendous product in smart munitions, optoelectronics. And in some of the product lines it takes us from a 70% market share, product lines, not markets, to certainly 100% market share in particular market lines.

<Q - Steven Smigie>: Okay. And I assume you're already pretty much with all the major customers, so that there probably wouldn't be any customer pick-ups or are there?

<A - James Peterson>: You know what, there might be a couple of European ones that maybe we haven't touched. We use some of the same distributors. There is overlap in the disti channel. I don't expect this to be a great pickup of additional customers that I wouldn't know about. We're pretty much with everybody in the spaces that we're in.

But, we're always looking for one to two that we said, my gosh, I can yell at the sales guys, you missed that one, how did you miss that guy? But the revenue is quite small compared to Microsemi, so if there is somebody, it's not going to be earth shattering.

<Q - Steven Smigie>: Great. And just in terms of the accretion, you mentioned 24 years, or 24 months for it to pay for itself. The accretion, is that, does the accretion come faster than the pay back period or how are you thinking about that?

<A - James Peterson>: Yes, you know what, I really don't want to rule out the accretion, but, yes, you're on the right track.

<Q - Steven Smigie>: Okay.

<A - James Peterson>: We'll give you some more detail on the 24th.

<Q - Steven Smigie>: Great. All right. Thank you.

<A - James Peterson>: Okay, thank you, my friend.

## Operator

Your next question comes from the line of Andrew Huang from American Technology.

<Q - Andrew Huang>: Hello. Okay, Jim, good morning.

<A - James Peterson>: Hey, good morning, Mr. Huang. How are you doing?

<Q - Andrew Huang>: Okay. I was wondering your comments on with this acquisition, it seems like a lot of your business is going to be, or even more of your business is going to be sole source now. So...

<A - James Peterson>: That's correct.

<Q - Andrew Huang>: Can you talk about maybe who else is left out there, or is there anyone out there that's bigger than you?

Bloomberg

Company Name: Microsemi

Company Ticker: MSCC US

Date: 2008-07-15

Event Description: Acquisition of SEMICOA by  
Microsemi Call

Market Cap: 2,053.00

Current PX: 26.11

YTD Change(\$): +3.97

YTD Change(%): +17.931

Bloomberg Estimates - EPS

Current Quarter: 0.358

Current Year: 1.319

Bloomberg Estimates - Sales

Current Quarter: 134.467

Current Year: 513.667

<A - James Peterson>: Yes, certainly, I'd love to talk to you about it. The fact of the matter is I'm not going to tell you who they are.

<Q - Andrew Huang>: Okay.

<A - James Peterson>: I've read your reports, you know of one or two others out there. There are others out there. They're normally private companies, right? Their revenues are generally between 10 and no more than \$20 million. They're predominately family-orientated companies that have entered the space.

Quite honestly, I call them quarterly, or if I don't call them quarterly I call them at least twice a year and I ask them, hey, how are you doing, or how is your business, how is your health, what's your exit strategy, what are your children doing, are they working there? And oh by the way, if you're looking for an exit strategy, right, and please give me a shot at it. If not the first guy in the door, let me be the last one in the door to work with you. And so that there's more out there and I'm actively on their trail.

<Q - Andrew Huang>: Okay. I guess just one follow-on. I guess some people out there are of the opinion that some of your customers on the defense and commercial and military side are giving push back on some of these price increases. But given kind of your sole source position, can you maybe comment on the reality of the situation?

<A - James Peterson>: Yes, a real successful businessman book, ship and collect, and that's what we've been doing.

<Q - Andrew Huang>: Okay. Thanks.

<A - James Peterson>: I'm not going to talk about their opinion. They're getting -- at the end of the day, we've put hundreds of millions of dollars in this business and we're getting for it is top quality product that doesn't fail. We're trying to work, no one's lying down, we're shipping on time. And our intent is to be the number one supplier in the military, aerospace, satellite business and that's the goal of the company and that's our opinion.

<Q - Andrew Huang>: Do you have a break down of what percentage is defense versus commercial air versus satellite or anything like that?

<A - James Peterson>: At this particular acquisition, I don't have it broken into that. It's just fused together.

<Q - Andrew Huang>: Okay, thanks.

<A - James Peterson>: Okay, thank you.

## Operator

Your next question comes from the line of Craig Berger from FBR

<Q - Craig Berger>: Yes, congrats. Can you help me understand how much back-end capacity these guys have? If they're doing 10 to 12 million of annual revs, how much capacity could they do with their back-end equipment? Is it 25 million a year, is it something more, something less?

<A - James Peterson>: They just received, right, a substantial shipment of back-end, burn-in equipment including some very similar burn-in boards to Microsemi. So we don't have -- combined with Microsemi, it certainly can increase 50% or so would be a guess. But we've got -- we have very much the same equipment. A lot of these are metal cans. Microsemi has no shortage in metal cans.

But it certainly, what I wanted was the assets. The reason I paid a little bit more than two times revenue is I did see the back-end equipment. I did see some of the front-end equipment. I did see the assets that I liked. Very clean operation. They did a tremendous job there.

But I haven't really dialed in. I want to look at their yields that they're getting, how our guys share some of the manufacturing strengths that we do. I want to look at some of the chemicals they use. We'll have a better feeling for

**Bloomberg**

Company Name: Microsemi  
Company Ticker: MSCC US  
Date: 2008-07-15  
Event Description: Acquisition of SEMICOA by  
Microsemi Call

Market Cap: 2,053.00  
Current PX: 26.11  
YTD Change(\$): +3.97  
YTD Change(%): +17.931

Bloomberg Estimates - EPS  
Current Quarter: 0.358  
Current Year: 1.319  
Bloomberg Estimates - Sales  
Current Quarter: 134.467  
Current Year: 513.867

that and for the yields and the like. Certainly, we have not been -- until you buy these guys you really can't get in the door and work that whole thing out. But we -- historically, we've always found great upside in those areas.

<Q - Craig Berger>: So, just to clarify, did you say their back-end adds 50% to your high rel back-end capacity?

<A - James Peterson>: No, no, no. I said I would expect that we can strengthen their business over the next couple of years by about 50%.

<Q - Craig Berger>: I see.

<A - James Peterson>: In addition to the new products and some of the equipment that they got. I mean they don't have a very strong sales team. So, they have really not positioned some of their new Rad Hard products and some of their smart munitions products worldwide. We've got best-in-class sales team for these products. And we normally when we buy these companies we find avenues and channels they were not able to do.

<Q - Craig Berger>: Okay. And what's...

<A - James Peterson>: ...the sales team.

<Q - Craig Berger>: What's the specific timing of the back end move to Ireland?

<A - James Peterson>: Not soon. We want to see how our guys kind of look at it. I don't have a hard date on that. And as time goes on I'll give you an update. But it's there, it's new, it looks good. And there are guys who like to shift stuff around for us.

<Q - Craig Berger>: And then, when you look at the either the management team or any other head count, is there other opportunities to get some synergies there?

<A - James Peterson>: You know what, we have a lot of overlap here, okay. And there's going to be considerable sizing with the employees. You always find some real strong technical people and a couple of business people that bring some light and strength to it. But a lot of these are employees as we shift the lion's share of this product like I said that we expect at least to build it for two years. We expect to pretty much move almost everything out of there within a year.

So, just to give you a number, let me help give you a number, this might help you. They have about 100 employees. As of this morning, we will size about 40% of those employees. And by 1 October we expect about 60% plus of the employees will be sized. And we'll just move the capacity to the Microsemi locations. So, there is considerable sizing here and we're working with that with the employees as we speak.

<Q - Craig Berger>: Great, thank you.

## Operator

Your next question comes from the line of Patrick Wang from Wedbush.

<Q - Patrick Wang>: Guys, congratulations.

<A - James Peterson>: Hey, how are you doing, Patrick, my man?

<Q - Patrick Wang>: Not too bad. And actually most of my questions have been answered. I just want to -- just had one question just regarding the markets you are -- I know that you said that I guess the aerospace, satellite and military end markets are relatively fused together. Any sense of -- like how you guys are approaching? I know that these are different businesses for you guys as a company today. How are you guys going to -- any color in terms of how that gets weaved into your product line?

<A - James Peterson>: Yeah. Here's the deal. 70% of the product is an overlap, right. The balance of the product is in space. So, it's same end customers, but real sweet Rad Hard hot, high margin type product. Some stuff you might find

Bloomberg



Company Name: Microsemi  
Company Ticker: MSCC US  
Date: 2008-07-15  
Event Description: Acquisition of SEMICOA by  
Microsemi Call

Market Cap: 2,053.00  
Current PX: 26.11  
YTD Change(\$): +3.97  
YTD Change(%): +17.931

Bloomberg Estimates - EPS  
Current Quarter: 0.358  
Current Year: 1.319  
Bloomberg Estimates - Sales  
Current Quarter: 134.467  
Current Year: 513.867

at our friends at IR. And with smart munitions and the optoelectronics, once again same end customers. This thing here is just like buying additional peanut butter to put on your bread, there's no problem.

## Operator

Your next question comes from the line of John Lau with Jefferies & Company.

<Q - Rahul Kanvarker>: This is Rahul Kanvarker calling in for John Lau.

<A - James Peterson>: Oh, nice to meet you.

<Q - Rahul Kanvarker>: Yes, thank you, me too. My first question was about your CapEx. Your target company, does it have the same CapEx to sales ratio as yours or do you think there would be synergies there in capital expenditures?

<A - James Peterson>: I think CapEx of Microsemi is not going to change much. I think this thing will just be pulled right in. Don't expect much of an increase on CapEx.

<Q - Rahul Kanvarker>: Okay. So, this includes even after the inclusion of the new company, the CapEx will remain the same?

<A - James Peterson>: That's going to be my guys' target. They might commit a little slightly higher. But our CapEx is not very, very, very high and I think there's even hedge on our end so don't expect a big CapEx change on us.

<Q - Rahul Kanvarker>: Okay.

<A - James Peterson>: ...doing your models, that's just the 24th by the way since you're new to the party.

<Q - Rahul Kanvarker>: Right. And who are your other competitors in this space, defense and aerospace?

<A - James Peterson>: There are competitors and there are paper tiger competitors, right. Read the 10-K. ST Micro is a very prolific competitor saying they're in this market. They just don't happen to be in anything that SEMICOA's in at this present point. But they do have the products and the capability. We got wind down here of a little company called Semtech who is doing some toe dipping. They like to be -- they like to enter the market for about three years, maybe five and they get the heck out of it.

But there are others with the capabilities, they just got to put forth like we've done the hundreds of millions of dollars, the time, the effort and the engineering and they can enter the market anytime they want.

<Q - Rahul Kanvarker>: Okay. And you said that you would be moving the equipment to your Ireland facility. I was just curious to know, does all this affect your transitional idle capacity? Because you had said that in six to eight quarters, you would move all this capacity out of your books and you will be moving to...

<A - James Peterson>: Actually, I said five, last conference call I said five, certainly no more than seven.

<Q - Rahul Kanvarker>: Oh.

<A - James Peterson>: And I'll be honest with you, this would be minor. This is not going to -- I'm continuing on my track, this isn't going to take me off track. This is a small deal. It's accretive. And as we get into this thing and look at the strengths of Microsemi's economies of scale, this will actually assist me in that area. I'm not missing that target, my man.

<Q - Rahul Kanvarker>: Okay, sounds good. Thanks a lot.

<A - James Peterson>: You've got it, my friend.

Bloomberg

Company Name: Microsemi  
Company Ticker: MSCC US  
Date: 2008-07-15  
Event Description: Acquisition of SEMICOA by  
Microsemi Call

Market Cap: 2,053.00  
Current PX: 26.11  
YTD Change(\$): +3.97  
YTD Change(%): +17.931

Bloomberg Estimates - EPS  
Current Quarter: 0.358  
Current Year: 1.319  
Bloomberg Estimates - Sales  
Current Quarter: 134.467  
Current Year: 513.867

## Operator

Your next question comes from the line of Nicholas Aberle from Caris & Company.

<Q - Nicholas Aberle>: Hey, Jim.

<A - James Peterson>: Hey, Nick, you're up this morning, good morning.

<Q - Nicholas Aberle>: Good morning. So, just quick question from me, so your last couple of deals you guys have done have been the smaller nature, high rel discrete acquisitions. Can you remind us what your strategy is on the analog side? Can we expect anything there over the next 12 months? And then longer term, what's your expected split in business between high rel discrete and analog?

<A - James Peterson>: Sure. I mean I just want to help you out. We have been doing small but, the real word is small yet very strategic, in the high rel market space. And for the analog mixed signal group, Steve and his team are looking at opportunities that are there. Our key task is we want to -- if we see some technologies that strengthen and enhance our capabilities there and it's accretive, we'll certainly look at it. And as a management team, we'll decide if we go in that direction.

The split right now is about 66 to 33. This transaction is not an extremely large one, but very, very strategic so it might take it to 68 or 69. So 70/30 probably entering next year. And the mix I like is the most probable mix for the company. Right now, it seems to be 70/30. We did the acquisition of PowerDsine not too long ago. We're introducing a lot of new products. While the semi market's sitting near at about a 2% growth rate, which filled dialed in 15 or greater with its current products at a pure organic mode.

But if we find something that strengthens one or both of our markets, right, we're not shy to go in and make the assessment and then add it into the Micro family. Once again, I can only say it 1,000 times, if it's accretive, we're interested.

<Q - Nicholas Aberle>: All right. That's all I have got. Talk to you next week.

## Operator

Your next question comes from the line of Romit Shah from Lehman Brothers.

<Q - Romit Shah>: Jim, these guys have been around since 1968 and doing 10 to 15 million in revenue. Could you just comment on why they haven't been able to scale the business?

<A - James Peterson>: Yes, you know what, you'll find these small private companies. The beauty of them is they're inventors. Right? They invent. Right? And at times it's not all about revenue and Wall Street and let's get market share. It's about, my gosh, we can make this new chemical. We can get this new opto business. And we can work on smart munitions.

And the styles for these private companies are a lot different than the thing that drives a Peterson and his team in a public company. So, it's not uncommon to find that they're in this space and they're comfortable. They're making a good living. Their families are happy. They're not sitting here at 5'o clock in the morning with an ulcer. So that's normally what it's all about.

<Q - Romit Shah>: And I guess maybe to rephrase then I guess, with the acquisition what does -- what will Microsemi bring to the table to scale the business perhaps at a faster rate than what we've historically? Is it the sales force or something else?

<A - James Peterson>: With this acquisition?

<Q - Romit Shah>: Yes.

Bloomberg



Company Name: Microsemi  
Company Ticker: MSCC US  
Date: 2008-07-15  
Event Description: Acquisition of SEMICOA by  
Microsemi Call

Market Cap: 2,053.00  
Current PX: 26.11  
YTD Change(\$): +3.97  
YTD Change(%): +17.931

Bloomberg Estimates - EPS  
Current Quarter: 0.358  
Current Year: 1.319  
Bloomberg Estimates - Sales  
Current Quarter: 134.467  
Current Year: 513.867

<A - James Peterson>: Well, let's say by 1 October, the head count goes down by about 70%. You do the number, 70 people, do the math there. Then the economies of scales that we have in this particular market space are tremendous. Right? It's our market. The -- we have over the last seven years, we've really structured on full negotiations of materials and products. We worked on old manufacturing economies and we share the technologies of manufacturing.

So what this will give SEMICOA the opportunity to see how maybe a larger company does it differently. And then, we're not shy to look at how they have done it. Maybe we'll learn a few tricks there. So it's just the sheer mass and the strength of our economies of scale that can make this thing very, very successful, my friend.

<Q - Romit Shah>: Terrific. Good luck.

<A - James Peterson>: Thank you.

## Operator

[Operator Instruction] Your next question comes from the line of Vijay Rakesh from ThinkPanmure.

<Q - Vijay Rakesh>: Then just a question here, so it looks like on this SEMICOA acquisition, the margins are pretty good with the high rel business, but you are taking out a big chunk of the head count and moving the fab capacity to your existing facility. So it looks like almost gravy here. It looks like almost pretty good margin, should be much higher than even the high rel business, is that right?

<A - James Peterson>: Don't go changing your models, but that's exactly what I saw.

<Q - Vijay Rakesh>: Okay. And, I mean obviously you are seeing something in the business in addition to picking up share. Do you expect that this business to be, should grow better as you look out year, two years?

<A - James Peterson>: Yes, because like I mentioned, right, they're in the Rad Hard business space. I like the Rad Hard stuff, the margins are great and the opportunities are substantial. They've got a nice product portfolio for smart munitions and the optoelectronics. Again, the JPM program and beyond that. And once again, the real key here is we open up channels and avenues these guys didn't want to and they never had the bandwidth to do. They have one or two, three sales people where we have an army.

And there's programs and projects where we do see them on the approved vendor list because they've been around a lot of years, but they were just taking a little bit of market share in the shadow of Microsemi from time-to-time. I'm not knocking them, that's been their style. And I think we can do tremendous improvement in positioning their product throughout the industry, especially with the asset that we purchased. Once again, it's a pure asset purchase, my friend.

<Q - Vijay Rakesh>: And just like in your other high rel business, these guys have a pretty long contracts which very stable and it should be -- it should help you on your other businesses?

<A - James Peterson>: Well, let me answer that, right? I don't do contracts. Years ago Microsemi did contracts, right?

<Q - Vijay Rakesh>: Yeah.

<A - James Peterson>: All contracts are is a bunch of negotiations. You pay a bunch of mid level people to come up with a one-year contract and then you look at your cycle time, your cycle times are almost 32 weeks to a year. Right? So, Microsemi years back had gotten out of the contract business.

<Q - Vijay Rakesh>: Got it.

<A - James Peterson>: Right? So, I price, I price what the market will bear. And I go for margins. I don't waste a lot of infrastructure and time by working on contracts with end suppliers. I think it's archaic and I think it's out of fashion. I don't do it.

<Q - Vijay Rakesh>: Got it. Okay, great. Thanks.

Bloomberg

Company Name: Microsemi  
Company Ticker: MSCC US  
Date: 2008-07-15  
Event Description: Acquisition of SEMICOA by  
Microsemi Call

Market Cap: 2,053.00  
Current PX: 26.11  
YTD Change(\$): +3.97  
YTD Change(%): +17.931

Bloomberg Estimates - EPS  
Current Quarter: 0.358  
Current Year: 1.319  
Bloomberg Estimates - Sales  
Current Quarter: 134.467  
Current Year: 513.867

## Operator

[Operator Instructions] Your next question comes from the line of Steve Smigie from Raymond James.

<Q - Steven Smigie>: Great. Sorry, I don't think you've touched on it, but can you talk about any cash, inventory and any debt you might have assumed?

<A - James Peterson>: Yeah, John, you want to try it? I've got my CFO here. John, here's your shot.

<A - John Hohener>: Yeah, sure. From the standpoint of the assets, we will be valuing their inventory, cash balances, receivables, and so forth. And the only thing on the debt side that we're assuming is trade payables. So from a valuation standpoint, it gives us certain leverage moving forward, but it's not something that we're going to apply a large value to.

<Q - Steven Smigie>: Okay. But can we get a dollar amounts for cash and inventory?

<A - John Hohener>: No, we're going to talk about some of that stuff next week.

<A - James Peterson>: Yes, we'll [inaudible], you will get a taste of it.

<Q - Steven Smigie>: All right. Thanks a lot, guys. I appreciate it.

## Operator

At this time, there are no further questions.

## James J. Peterson, President and Chief Executive Officer

Yes, once -- closing on, I want to thank everybody. And once again, just don't go changing your models and everything, wait till the 24th. Right? We'll give you more good news, then you can go model crazy. All right? I want to thank everybody for dialing in early in the morning. I think this is one of the better acquisitions Microsemi's made, and thanks for dialing in.

## Operator

This concludes today's conference call. You may now disconnect.

*This transcript may not be 100 percent accurate and may contain misspellings and other inaccuracies. This transcript is provided "as is", without express or implied warranties of any kind. Bloomberg retains all rights to this transcript and provides it solely for your personal, non-commercial use. Bloomberg, its suppliers and third-party agents shall have no liability for errors in this transcript or for lost profits, losses, or direct, indirect, incidental, consequential, special or punitive damages in connection with the furnishing, performance or use of such transcript. Neither the information nor any opinion expressed in this transcript constitutes a solicitation of the purchase or sale of securities or commodities. Any opinion expressed in the transcript does not necessarily reflect the views of Bloomberg LP.*

*© COPYRIGHT 2008, BLOOMBERG LP. All rights reserved. Any reproduction, redistribution or retransmission is expressly prohibited.*

Bloomberg