

THE WALL STREET TRANSCRIPT

Questioning Market Leaders For Long Term Investors

TriQuint Semiconductor, Inc. (TQNT)

RALPH QUINSEY joined TriQuint Semiconductor, Inc., in July 2002 as President and Chief Executive Officer. From September 1999 to January 2002, Mr. Quinsey was with ON Semiconductor, a manufacturer of semiconductors for a wide array of applications, as Vice President and General Manager of the Analog Division. Prior to that, he was with Motorola, a manufacturer of semiconductors and communications equipment, from 1979 to September 1999, holding various positions including Vice President and General Manager of the RF/IF Circuits Division, which developed both silicon and gallium arsenide technologies for wireless phone applications. Mr. Quinsey received a BS degree in Electrical Engineering from Marquette University.



TWST: We'd like to begin with a brief historical sketch of the company and a picture of the things you're doing at the present time.

Mr. Quinsey: TriQuint has been in the semiconductor business since the mid-1980s. We're a focused RF company, our tag line being "Connecting the Digital World to the Global Network." What we offer is the complete RF solution for wireless communications devices and networks. We're a leader in market diversity: about half our business is in mobile phone handsets and half in non-handsets, including defense, broadband and network infrastructure. Last year we surpassed the half billion revenue mark, setting new records. We have a solid balance sheet with \$100 million in cash and cash equivalents and no debt. We're known for having the broadest technology portfolio in our industry and our top two competitors are RFMD and Skyworks.

TWST: What have been the principal drivers of the company's success?

Mr. Quinsey: The growth of the company has been driven by our success in the handset space. Our strategic goal was to grow significantly in that space, and we have. We are the only company that has in-house technology to design and build high volume active

and passive components. This unique strength allows us to efficiently combine them into high performing integrated modules in ultra small packages. We have expanded this module capability to many of our other markets. For example, we have successfully penetrated the wireless LAN space, and we're moving our module solution strategy to other markets, including defense, where we have been successful with discrete components.

TWST: Was 2008 a good year for you?

Mr. Quinsey: Yes, in 2008, our top line grew by about 20% and our operating income grew by about 18%. We had entered the year targeting some specific growth opportunities in 3G handsets and wireless LAN and successfully achieved those goals, and our defense business grew about 20%, which was a pleasant surprise.

TWST: What is your feeling about the current state of the industry and its outlook?

Mr. Quinsey: In the very near term, the industry is affected by the economic slowdown, and so the first half will be impacted by inventory burn down, but I do believe the second half will be stronger. Longer view, our market continues to consolidate around the big three players, and I think a slow or difficult economy will actually accelerate that consolidation. The major trend line around technology

and content is a secular increase in the demand for RF products due to expanding content, particularly in multi-mode, multi-band applications. For example, the RF content in 2G data phones is about \$1, compared to \$6 to \$8 in a 3G smartphone. And as more wireless devices fill the air, the demand for RF filter and amplifier solutions will only increase.

TWST: Would you tell us about your strategic agenda as you look out over the next, say, 18 to 24 months?

Mr. Quinsey: Our focus is on growth, top line and bottom line, targeting growth in multiple markets around our core technology. As I mentioned earlier, we're expanding the success we've had in our module strategy, particularly in handsets, now to wireless LAN and to all of our markets. Our strategy is to offer the complete RF solution to our customers and leverage our broad technology base to do just that. Everything we do is targeted on improving the performance and lowering the cost of our customers' applications.

As far as product direction, we will continue to grow in 3G handsets; we believe that market will grow even in a down handset market, as will low cost GSM phones for emerging countries. Longer

pany focused on new product growth and have great opportunities in front of us. Certainly it's a strong competitive field but if you look at the 3G architecture investments in China, the defense market, and the fact that smartphones will grow even in a down market, I think we're biased on the opportunity side and expect the economy to be the major headwind.

TWST: What is your feeling about mergers and acquisitions?

Mr. Quinsey: Our appetite is low right now for M&A activity. The marketplace is going to take a while to digest current valuation levels. I think in the second half of the year or maybe into 2010, that market will pick up and our appetite may increase.

TWST: What is the picture that you would hope to emerge for the company well down the road, say, three to five years?

Mr. Quinsey: Three to five years, I see us continuing to grow the company, emerging as a number one or a very strong number two player in this market. We'll see solid penetration in 3G smartphones and 4G solutions, growth in defense and infrastructure markets, and broad acceptance of our new technologies.

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battery life in all mobile applications is a clear focus. Further out, green RF power for base stations will be a driver. As we launch new technologies, specifically TriPower™, we will improve the overall efficiency of infrastructure base stations. For defense product direction, focus is strategically on surveillance and communications; we think these are the technologies that are required for the future of our military and allied forces.

TWST: Is there anything in the realm of government policy that might affect you one way or the other?

Mr. Quinsey: As the government continues to build its capabilities for border protection and surveillance, these programs will benefit TriQuint; radar and communications technology is a clear TriQuint strength. As far as other changes in government, we are fairly stable and not sensitive to the ups and downs of politics.

TWST: What about possible challenges?

Mr. Quinsey: Certainly the most impactful thing in our businesses today is the general economy; beyond that, we're a com-

TWST: What would be a few year-by-year milestones for investors?

Mr. Quinsey: I think investors should pay attention to our gross margins and our revenue growth. We have a good track record of improving both of these metrics over the last two years. We're going through a difficult period now of inventory adjustments, which impacts utilization, and we'll fall below our goals in the first half of 2009. But I expect to recover and successfully reach some of our longer-term goals in the following quarters with the help of an improving economy.

TWST: Would you tell us about your own background and expertise and the same for one or two of your colleagues?

Mr. Quinsey: My background is as an EE. I've been in the RF industry for the last 14 years and in the semiconductor industry since the early 1980s. I have four strong General Managers — Tim Dunn, Tom Cordner, Glen Riley and Brian Balut — each running one of our business units in the company, and a strong staff around them.

TWST: How many employees does the company have overall?

Mr. Quinsey: Just over 2,000.

TWST: Would you tell us about the company's culture?

Mr. Quinsey: This is a company of people who are focused on making a difference in the world, people who are committed to helping our customers. We talk about TriQuint connecting the world; we expand that concept and talk about connections — connections with customers, connections with suppliers, and connections with our communities. It is a company that cares about making a difference.

TWST: Who are some of your major customers?

Mr. Quinsey: We have a marquee list of customers that includes just about all the major handset suppliers, the major defense suppliers, and large infrastructure suppliers; our only greater than 10% customer in the recent quarter was Foxconn.

TWST: As CEO, what occupies your own attention most on a day-by-day basis?

Mr. Quinsey: I try to split my time between customers, investors, employees and strategic activities. My time is fairly balanced in those four areas.

TWST: What is your feeling about your current stock price?

Mr. Quinsey: TriQuint as well as many other companies in this environment have stock prices that are depressed below what they should be. I believe we are under-valued, and have lots of company in that area.

TWST: Do you feel that the Street is missing something about you, that there is something they've failed to understand?

Mr. Quinsey: As I said, I believe investors are undervaluing stocks in general due to economic concerns, but I believe they are undervaluing the RF space even more so. This is a valuable technology enabling ubiquitous communications for handsets, laptop computers and new wireless applications. We're enabling the movement of data around the world with high-speed telecommunications. I think investors miss the real value in our space, and they don't see the growth in "wireless everywhere" that is still in front of us. We'll move beyond people talking to people, and will see people talking to things and things talking to things. Lastly, we are in a consolidating industry; there are going to be winners and losers and I think TriQuint will be one of the winners.

TWST: You said that your cash situation is very good. Does that give you a big edge over a lot of people?

Mr. Quinsey: Yes, certainly with the liquidity crisis, there was a lot of interest from customers to review the balance sheets of their suppliers. TriQuint, with \$100 million of cash, short-term and long-term investments and no debt, has a stellar balance sheet.

TWST: What would be the two or three best reasons for the long-term investor to look closely at TriQuint?

Mr. Quinsey: In these troubled times, the crisis that we are in is an opportunity for a company like TriQuint to expand share. We expect to grow through a period where some of our competitors won't. We have the best technology and the best solutions and, as I said, we expect the RF market over the next five years to consolidate. I believe TriQuint will be one of the winners.

TWST: What about the approach to R&D at TriQuint?

Mr. Quinsey: For R&D, we have a multi-prong approach. We invest in technologies that typically take three or four years to commercialize and then invest in products we can build on these technologies for many years after. We have several great new technologies coming out; I alluded to a couple of them. TriPower, which is high-power RF for network infrastructure, allows base stations to operate with less electricity, to be a greener base station. PowerBand™ technology provides narrow band performance across a very wide bandwidth. This technology replaces multiple amplifiers with a single amplifier in an application that requires wide bandwidth, hence lowering cost, or improving the overall performance of an existing wide band system. Lastly, Gallium Nitride or GaN, is a new high performance material that improves power capability and linearity.

TWST: Is there anything that you would like to add?

Mr. Quinsey: TriQuint is a company that's focused on delivering the best technology for our customers in the RF space. We are in a market where RF content is expanding rapidly, driven by exciting applications like smartphones and other wirelessly connected devices. These are the conditions that allow a company to grow faster than what's normally expected. I think TriQuint is well positioned to be one of those companies.

TWST: Thank you.

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