



Adesto® Reports Third Quarter 2019 Financial Results

*Sets New Record for Revenue, Gross Margin and Adjusted EBITDA;
Achieves Non-GAAP Profitability*

Santa Clara, Calif. – November 5, 2019 – Adesto Technologies Corporation (NASDAQ: IOTS), a leading provider of innovative application-specific semiconductors and embedded systems for the IoT, today announced financial results with record revenue, gross margin and adjusted EBITDA for its third quarter ended September 30, 2019.

Third Quarter and Recent Highlights:

- Revenue increased 6.2% sequentially and 46.1% year-over-year to \$32.0 million
- GAAP gross margin was 50.7% and non-GAAP gross margin was 51.0%
- GAAP operating expenses were \$17.6 million and non-GAAP operating expenses were \$14.3 million
- Adjusted EBITDA was \$3.1 million, representing the 10th consecutive quarter of positive adjusted EBITDA
- Completed offering of 4.25% senior convertible notes generating \$77.3 million in net proceeds, providing increased financial flexibility
- Achieved shipment milestone of one billion non-volatile memory devices
- Expanded partnerships including those with Microsoft and STMicroelectronics

Commenting on the quarter, Narbeh Derhacobian, Adesto's president and CEO, stated, "We set new records for revenue, gross margin and adjusted EBITDA, while also achieving non-GAAP profitability. We continued to strengthen our position in the industrial market and also advanced engagements with our tier-one consumer customers across portable computing, wearables and smart home applications.

"In summary, we're delivering record results and maintaining our 30% growth outlook for 2H 2019 over 2H 2018. With expanded revenue streams, increasing profitability and a strong balance sheet, the Company is well positioned to drive future growth and shareholder value."

Third Quarter 2019 Results

Revenue in the third quarter of 2019 was a record \$32.0 million, representing a 46.1% increase from \$21.9 million in the third quarter of 2018 and a 6.2% increase from \$30.2 million in the previous quarter.

GAAP gross margin in the third quarter was a record 50.7%, compared to 43.7% in the third quarter of 2018 and 47.9% in the prior quarter. Non-GAAP gross margin for the third quarter was

51.0%, compared to 45.7% in the third quarter of 2018 and 48.1% last quarter. The increase in gross margin was due to continued improvements in product mix.

GAAP operating expenses in the third quarter of 2019 were \$17.6 million, compared to \$17.0 million in the third quarter of 2018 and \$17.4 million in the prior quarter. On a non-GAAP basis, operating expenses in the third quarter of 2019 were \$14.3 million, compared to \$10.2 million in the third quarter of 2018 and \$14.3 million in the prior quarter.

GAAP net loss in the third quarter of 2019 was \$7.6 million, or (\$0.25) per share, compared to a net loss of \$8.4 million, or (\$0.30) per share, in the third quarter of 2018, and a net loss of \$4.3 million, or (\$0.14) per share, in the previous quarter.

On a non-GAAP basis, net income for the third quarter of 2019 was a record \$1.0 million, or \$0.03 per diluted share, compared to a net loss of \$1.2 million, or (\$0.04) per share, in the third quarter of 2018 and a net loss of \$0.7 million, or (\$0.03) per share, in the previous quarter.

Adjusted EBITDA for the third quarter of 2019 was a record \$3.1 million, compared to \$0.5 million in the third quarter of 2018 and \$0.9 million in the second quarter of 2019.

A reconciliation of GAAP results to non-GAAP results is provided in the financial statement tables following the text of this press release.

Business Outlook

For the fourth quarter of 2019, the Company expects revenue to increase to a range between \$32.0 million and \$35.0 million, which at the mid-point represents approximately a 20% increase year-over-year and approximately 30% growth in the second half of 2019 compared to the prior-year period. Non-GAAP gross margin is expected to be between 50% and 52%, and non-GAAP operating expenses are expected to range between \$14.5 million and \$15.5 million. Stock-based compensation expense is expected to be approximately \$1.7 million and amortization of acquisition-related intangible assets approximately \$1.8 million.

Conference Call Information

Adesto will host a conference call today at 2:00 p.m. Pacific Time (5:00 p.m. Eastern Time) to discuss its third quarter 2019 financial results. Investors and analysts may join the call by dialing **1-844-419-1786** and providing confirmation code **4347048**. International callers may join the teleconference by dialing +1-216-562-0473 using the same confirmation code. The call will also be available as a live and archived webcast in the Investor Relations section of the Company's website at <http://www.adestotech.com>.

A telephone replay of the conference call will be available approximately two hours after the conference call until Tuesday, November 12, 2019 at midnight Pacific Time. The replay dial-in number is 1-855-859-2056. International callers should dial +1-404-537-3406. The confirmation code is 4347048.

Non-GAAP Financial Information

To supplement our financial results presented in accordance with generally accepted accounting principles (GAAP), this press release and the accompanying tables and the related earnings conference call contain certain non-GAAP financial measures, including adjusted EBITDA, non-GAAP net income (loss), non-GAAP net income (loss) per share, non-GAAP gross profit, non-GAAP gross margin and non-GAAP operating expenses. We believe these non-GAAP financial measures are useful in evaluating our past financial performance and future results. Our non-GAAP financial measures should not be considered in isolation or as a substitute for comparable GAAP measures and should be read in conjunction with our consolidated financial statements prepared in accordance with GAAP. Our management regularly uses our supplemental non-GAAP financial measures internally to help us evaluate growth trends, establish budgets, measure the effectiveness of our business strategies and assess operational efficiencies. These non-GAAP financial measures are not based on any standardized methodology prescribed by GAAP and are not necessarily comparable to similar measures presented by other companies. Our non-GAAP financial measures include adjustments based on the following items:

- Stock-based compensation expenses. We have excluded the effect of stock-based compensation expenses from our non-GAAP financial measures. Although stock-based compensation is an important part of our employees' compensation affecting their performance, we continue to evaluate our business performance excluding stock-based compensation expenses. Stock-based compensation expenses will recur in future periods.
- Amortization of intangible assets. We have excluded the effect of amortization of intangible assets from our non-GAAP financial measures. Amortization of intangible assets expenses are not factored into our evaluation of potential acquisitions or our performance after completion of acquisitions, because they are not related to the Company's core operations. Adjustments of these items provide investors with a basis to compare our performance to other companies without the variability caused by purchase accounting. Amortization of acquisition-related intangible assets includes acquired intangible assets such as purchased technology, patents, customer relationships, trademarks, backlog and non-compete agreements.
- Acquisition-related expenses. We have excluded the effect of acquisition-related expenses from our non-GAAP financial measures. Acquisition-related expenses are not factored into our evaluation of potential acquisitions or our performance after completion of acquisitions, because they are not related to the Company's core operations. Adjustments of these items provide investors with a basis to compare our performance to other companies without the variability caused by purchase accounting. Acquisition-related expenses primarily include costs such as legal, accounting and other professional or consulting fees directly related to an acquisition.
- Inventory step-up related to acquisition accounting. In connection with our Echelon acquisition, accounting rules require us to adjust various balance sheet accounts, including inventory, to fair value at the time of the acquisition. This expense is part of cost of revenue. We exclude the amortization expense relating to the step up in fair value of our inventory to arrive at our non-GAAP measures as we believe it does not reflect the performance of our ongoing operations.
- Debt amortization costs. Debt amortization costs are excluded from non-GAAP results as they are non-cash. Excluding debt amortization costs from non-GAAP measures provides

investors with a basis to compare us against the performance of other companies without the variability associated with such items.

- Revaluation of earnout liability. In connection with our S3 acquisition, we are required to evaluate and revalue, as appropriate, the projected earn out consideration payable under the terms of the acquisition. Any changes to the earn out liability are included in other income (expense). Any changes in the earn out liability are not factored into our evaluation of potential acquisitions or our performance after completion of acquisitions, because they are not related to the Company's core operations on an ongoing basis. Adjustments of these items provide investors with a basis to compare our performance to other companies without the variability caused by such items.
- Restructuring and other charges. Restructuring and other charges consists primarily of impairment of inventory, estimated warranty reserves and severance costs. These costs are generally infrequent and, as a result, the company excludes such costs from its internal operating forecasts and models when evaluating its ongoing operations.

Our non-GAAP financial measures are described as follows:

- Non-GAAP net income (loss) and non-GAAP net income (loss) per share. Non-GAAP net income (loss) is GAAP net loss as reported on our condensed consolidated statements of operations, excluding the impact of stock-based compensation expense, inventory step up related to acquisition accounting, amortization of intangible assets, acquisition-related expenses, impairment and other charges, revaluation of earn-out liability and debt amortization costs. Non-GAAP net income (loss) per share is non-GAAP net income (loss) divided by weighted average shares outstanding and, if dilutive, incremental shares based upon the conversion of outstanding stock options, restricted stock units and warrants.
- Non-GAAP gross profit. Non-GAAP gross profit is GAAP gross profit as reported in our condensed, consolidated statements of operations, excluding the impact of stock-based compensation expense and inventory step-up related to acquisition accounting.
- Non-GAAP operating expense. Non-GAAP operating expenses are GAAP operating expenses as reported in our condensed consolidated statements of operations, excluding the impact of stock-based compensation expense, amortization of intangible assets, acquisition-related expenses and impairment and other charges.
- Adjusted EBITDA is GAAP net loss as reported on our condensed consolidated statements of operations, excluding the impact of the same items excluded from the calculation of non-GAAP net income (loss) as well as interest expense, depreciation and amortization, and our provision for income taxes.

For reconciliations of these non-GAAP financial measures to the most directly comparable GAAP financial measures, please see the section of the accompanying tables titled, "Reconciliation of GAAP to Non-GAAP Financial Information."

About Adesto Technologies Corp.

Adesto Technologies Corporation (NASDAQ: IOTS) is a leading provider of innovative application-specific semiconductors and embedded systems for the IoT. The company's technology is used by more than 5,000 customers worldwide who are creating differentiated solutions across industrial, consumer, medical and communications markets. With its growing portfolio of high-value technologies, Adesto is helping its customers usher in the era of the Internet of Things.

See: www.adestotech.com.

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Forward Looking Statements

The quotes of our Chief Executive Officer in this release regarding our strategic direction, expansion opportunities, product mix impacts on our gross margins, expanding our sales opportunities, the integration of Echelon Corporation and S3 Semiconductors and the expected synergies and benefits to Adesto and its customers, stockholders and investors from integrating Echelon Corporation and S3 Semiconductors, as well as all statements under "Business Outlook" are forward-looking statements made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These statements involve risks and uncertainties that could cause our actual results to differ. Factors that could cause actual results to differ materially from those expressed in the forward-looking statements include: the businesses of the Company, Echelon and S3 Semiconductors may not be combined successfully, or such combinations may take longer, be more difficult, time-consuming or costly to accomplish than expected; the risk that sales of S3 Semiconductors and Echelon products will not be as high as anticipated; the expected growth opportunities from the acquisitions may not be fully realized or may take longer to realize than expected; customer losses and business disruption following the acquisitions, including adverse effects on ability to retain key personnel, may be greater than expected; and the risk that the Company may incur unanticipated or unknown losses or liabilities in the acquisition. Additional factors that could cause actual results to differ materially from those expressed in the forward-looking statements include: our ability to predict the timing of design wins entering production and the potential future revenue associated with our design wins; our limited operating history; our rate of growth; our ability to predict customer demand for our existing and future products and to secure adequate manufacturing capacity; consumer demand conditions affecting our end markets; our ability to manage our growth; our ability to hire, retain and motivate employees; the effects of competition, including price competition; technological, regulatory and legal developments; and developments in the economy and financial markets.

For a detailed discussion of these and other risk factors, please refer to our filings with the Securities and Exchange Commission, including those discussed in the section captioned "Risk Factors" contained in an exhibit to our Current Report on Form 10-Q for the period ended June 30, 2019 and filed with the SEC on August 9, 2019, which are available on our investor relations Web site (ir.adestotech.com) and on the SEC's Web site (www.sec.gov).

All information provided in this release and in the attachments is as of Tuesday, November 5, 2019, and stockholders of Adesto are cautioned not to place undue reliance on our forward-looking statements, which speak only as of the date such statements are made. Adesto does not

undertake any obligation to publicly update any forward-looking statements to reflect events, circumstances or new information after this November 5, 2019 press release, or to reflect the occurrence of unanticipated events.

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Adesto Technologies Media Contact:

Jen Bernier-Santarini
+1-650-336-4222
jen.bernier@adestotech.com

Adesto Technologies Investor Relations:

Shelton Group
Leanne K. Sievers, President
+1-949-224-3874
sheltonir@sheltongroup.com

ADESTO TECHNOLOGIES CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands)
(unaudited)

	September 30,	December 31,
	2019	2018
Assets		
Current assets:		
Cash and cash equivalents	\$ 37,205	\$ 8,630
Restricted cash	459	458
Accounts receivable, net	33,913	23,211
Inventories	16,343	18,635
Prepaid expenses	1,660	1,668
Other current assets	404	871
Total current assets	89,984	53,473
Property and equipment, net	8,040	7,085
Intangible assets, net	30,896	36,261
Operating lease right-of-use asset	4,474	-
Other non-current assets	2,300	1,729
Goodwill	38,640	38,640
Total assets	\$ 174,334	\$ 137,188
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	20,778	16,146
Accrued compensation and benefits	4,359	4,038
Accrued expenses and other current liabilities	5,772	5,172
Price adjustments and other revenue reserves	5,108	4,819
Earn-out liability, current	10,130	10,450
Operating lease liabilities, current	1,186	-
Term loan, current	-	141
Total current liabilities	47,333	40,766
Term loan, non-current	-	29,418
Convertible senior notes, net	55,315	-
Operating lease liabilities, non-current	5,048	-
Deferred rent, non-current	-	1,947
Deferred tax liability, non-current	1,515	1,735
Other non-current liabilities	608	580
Total liabilities	109,819	74,446
Stockholders' equity:		
Common stock	3	3
Additional paid-in capital	205,003	184,158
Accumulated other comprehensive loss	(518)	(135)
Accumulated deficit	(139,973)	(121,284)
Total stockholders' equity	64,515	62,742
Total liabilities and stockholders' equity	\$ 174,334	\$ 137,188

ADESTO TECHNOLOGIES CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except for share and per share amounts)
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Revenue, net	\$ 32,028	\$ 21,927	\$ 90,297	\$ 55,412
Cost of revenue	15,781	12,344	46,384	30,885
Gross profit	16,247	9,583	43,913	24,527
Operating expenses:				
Research and development	7,384	5,297	22,353	13,139
Selling, general and administrative	8,461	5,795	24,554	14,762
Amortization of intangible assets	1,789	1,138	5,365	2,119
Acquisition related expenses	-	4,776	227	6,793
Restructuring and other charges	-	-	1,694	-
Total operating expenses	17,634	17,006	54,193	36,813
Loss from operations	(1,387)	(7,423)	(10,280)	(12,286)
Other income (expense):				
Interest expense, net	(6,034)	(1,046)	(8,781)	(2,368)
Other income, net	190	8	359	17
Total other income (expense), net	(5,844)	(1,038)	(8,422)	(2,351)
Loss before provision for (benefit from) income taxes	(7,231)	(8,461)	(18,702)	(14,637)
Provision for (benefit from) income taxes	337	(64)	236	(80)
Net loss	\$ (7,568)	\$ (8,397)	\$ (18,938)	\$ (14,557)
Net loss per share:				
Basic and diluted	\$ (0.25)	\$ (0.30)	\$ (0.64)	\$ (0.61)
Weighted average number of shares used in computing net loss per share:				
Basic and diluted	30,016,585	28,171,952	29,784,314	23,717,727

ADESTO TECHNOLOGIES CORPORATION
RECONCILIATION OF GAAP TO NON-GAAP FINANCIAL INFORMATION
(in thousands, except for share and per share amounts)
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
GAAP gross profit	\$ 16,247	\$ 9,583	\$ 43,913	\$ 24,527
Stock-based compensation expense	81	56	213	129
Inventory step-up related to acquisition accounting	-	371	616	371
Non-GAAP gross profit	\$ 16,328	\$ 10,010	\$ 44,742	\$ 25,027
GAAP research and development expenses	\$ 7,384	\$ 5,297	\$ 22,353	\$ 13,139
Stock-based compensation expense	(637)	(356)	(1,516)	(786)
Non-GAAP research and development expenses	\$ 6,747	\$ 4,941	\$ 20,837	\$ 12,353
GAAP selling, general and administrative expenses	\$ 8,461	\$ 5,795	\$ 24,554	\$ 14,762
Stock-based compensation expense	(917)	(528)	(2,345)	(1,188)
Non-GAAP selling, general and administrative expenses	\$ 7,544	\$ 5,267	\$ 22,209	\$ 13,574
GAAP operating expenses	\$ 17,634	\$ 17,006	\$ 54,193	\$ 36,813
Stock-based compensation expense	(1,554)	(884)	(3,861)	(1,974)
Amortization of intangible assets	(1,789)	(1,138)	(5,365)	(2,119)
Acquisition related expenses	-	(4,776)	(227)	(6,793)
Restructuring and other charges	-	-	(1,694)	-
Non-GAAP operating expenses	\$ 14,291	\$ 10,208	\$ 43,046	\$ 25,927
GAAP loss from operations	\$ (1,387)	\$ (7,423)	\$ (10,280)	\$ (12,286)
Stock-based compensation expense	1,635	940	4,074	2,103
Inventory step-up related to acquisition accounting	-	371	616	371
Amortization of intangible assets	1,789	1,138	5,365	2,119
Acquisition-related expenses	-	4,776	227	6,793
Restructuring and other charges	-	-	1,694	-
Non-GAAP income (loss) from operations	\$ 2,037	\$ (198)	\$ 1,696	\$ (900)
Reconciliation from GAAP net loss to adjusted EBITDA:				
GAAP net loss:	\$ (7,568)	\$ (8,397)	\$ (18,938)	\$ (14,557)
Stock-based compensation expense	1,635	940	4,074	2,103
Inventory step-up related to acquisition accounting	-	371	616	371
Amortization of intangible assets	1,789	1,138	5,365	2,119
Acquisition-related expenses	-	4,776	227	6,793
Restructuring and other charges	-	-	1,694	-
Revaluation of earn-out liability	-	-	(320)	-
Debt amortization costs	5,127	-	5,933	-
Non-GAAP net income (loss)	983	(1,172)	(1,349)	(3,171)
Interest expense	919	1,083	2,885	2,436
Provision for (benefit from) income taxes	337	(64)	236	(80)
Depreciation and amortization	865	625	2,226	1,687
Adjusted EBITDA	\$ 3,104	\$ 472	\$ 3,998	\$ 872
Non-GAAP diluted net income (loss) per share	\$0.03	(\$0.04)	(\$0.05)	(\$0.13)
Weighted-average number of shares used in calculating non-GAAP basic net income (loss) per share	30,016,585	28,171,952	29,784,314	23,717,727
Incremental shares upon conversion of stock options, restricted stock units and warrants	2,394,723	-	-	-
Weighted-average shares used in calculating non-GAAP diluted net income (loss) per share	32,411,308	28,171,952	29,784,314	23,717,727