

# Adesto to Acquire Echelon Corporation

June 29, 2018

IRRIGATION  
SPRING SCHEDULE

ARMED  
SECURITY SYSTEM:  
DOORS/WINDOWS



# Safe Harbor Statement

## **About Non-GAAP Financial Measures**

During this presentation, references to financial measures of Adesto Technologies Corporation (“Adesto”) will include references to non-GAAP financial measures. Adesto provides an explanation of these financial measures in its latest earnings release.

## **Forward-Looking Statements**

This presentation contains forward-looking statements, which are subject to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These statements include, among other things, statements described as “Expected Financial Benefits” and “Financing & Timeline,” on the slide entitled “Anticipated Benefits of the Transaction” and relating to expansion of the combined company’s addressable market, projections on the slide captioned “Adesto Pro Forma Financial Highlights” and statements regarding future events that involve risks and uncertainties. Actual results may differ materially from those contained in the forward-looking statements contained in this presentation, and reported results should not be considered as an indication of future performance. The potential risks and uncertainties that could cause actual results to differ from those projected include the risk that Echelon Corporation stockholders may not approve the proposed the proposed acquisition, the closing of the acquisition may not occur or may be delayed, litigation related to the proposed acquisition may delay or negatively impact the proposed acquisition, Adesto may be delayed or unable to finance the acquisition due to market conditions or for other reasons, the businesses of the Adesto, S3semi and Echelon may not be combined successfully, or such combination may take longer, be more difficult, time-consuming or costly to accomplish than expected; the risk that sales of Echelon’s products will not be as high as anticipated; the expected growth opportunities, increases in average sales prices, revenues, gross margin and operating margin, sales channel expansion or cost savings from the acquisition may not be fully realized or may take longer to realize than expected; customer losses and business disruption following the acquisition, including adverse effects on relationships with former employees of Echelon, may be greater than expected; and the risk that the Company may incur unanticipated or unknown losses or liabilities in connection with 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; market adoption of our CBRAM-based products; 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.. These and other risks are discussed in greater detail in the Company's Securities and Exchange Commission filings, including its most recent annual report on Form 10-K, which is available on the Company's investor relations website at [ir.adestotech.com](http://ir.adestotech.com) and on the SEC website at [sec.gov](http://sec.gov). All information provided in this release and in the attachments is as of June 29, 2018, and the Company assumes no obligation to update this information as a result of future events or developments.

# Transaction Overview

## Transaction

- Signed Definitive Agreement to acquire Echelon Corporation
- Pioneer in the development of open-standard networking platforms
- Focused on commercial and industrial applications

## Consideration

- Echelon shareholders to receive \$8.50 per share
- Acquisition price represents a total equity value of approx. \$45M, and a total enterprise value of approx. \$30M<sup>(\*)</sup>

## Expected Financial Benefits

- Accelerates revenue growth and margin expansion
- Accretive to EBITDA and non-GAAP EPS within the first 12 months

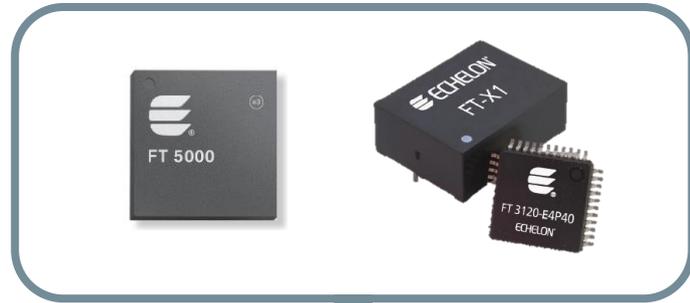
## Financing & Timeline

- Financed through a combination of cash and equity and/or debt
- Expected to close in third quarter 2018

<sup>(\*)</sup>After accounting for Echelon's cash and investments on its balance sheet at March 31, 2018, as well as expected transaction expenses of approx. \$4M.

# Echelon's Products and Markets

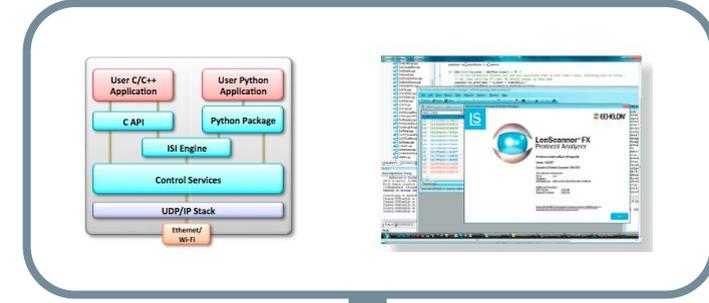
## Chips



## Edge Servers, Modules



## Development Platforms



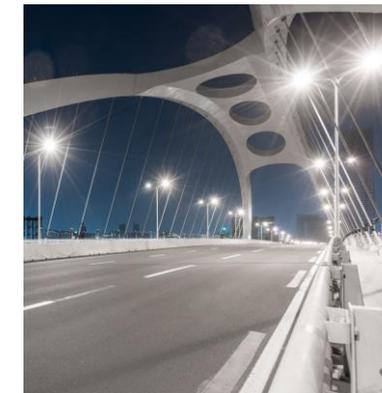
Manufacturing



Building Automation



Transportation



Connected Lighting

Connecting Devices into Networks for over 25 Years

# Echelon Background

## Corporate Background

**Established:** 1988, Headquartered in Santa Clara, CA

**NASDAQ:** ELON

**Solutions:** Networking and Communication Semiconductors Solutions & Systems

**Applications:** Building & Lighting Controls, Transportation & Manufacturing Automation

**End Markets:** Industrial IoT, Transportation, Smart Grid, Smart City

**Customers:** Leading Industrial OEMs

## Strong Systems Expertise

**Team:** Experience in Systems/Software Solutions

**Expertise:** Multiple Networking Protocols in Industrial Mkts

**Experience:** Average of 15 years in industry or at Company

## Business Model

**Revenue:** Stable Base of Revenue

**Gross Margin:** Above 55%

**Rev Distribution:** No End Customer Concentration

# Anticipated Benefits of the Transaction

## Extend Reach within Industrial IoT

- Well regarded connectivity solutions in Industrial IoT (IIoT)
- Intelligent cloud-based analytics for IIoT edge network
- Builds upon S3semi transaction with further SAM expansion

## Margin & Portfolio Expansion

- High-value solutions command richer gross margins >55%
- Systems and software expertise adds significant value
- Connectivity (wireline and wireless) and control modules, edge servers

## Sales Channel Expansion

- Tier 1 commercial & industrial customers
- Well respected and entrenched platforms with long life cycles
- Global installed base with ~140M installed endpoints

## Roadmap Enrichment

- Leverage Adesto's newly acquired ASIC Group to extend roadmap
- Expand beyond semiconductor devices into modules & system platforms

# Adesto + S3semi + Echelon

## Expanding Footprint and IoT Content Ownership



Memory



Mixed-Signal ASIC

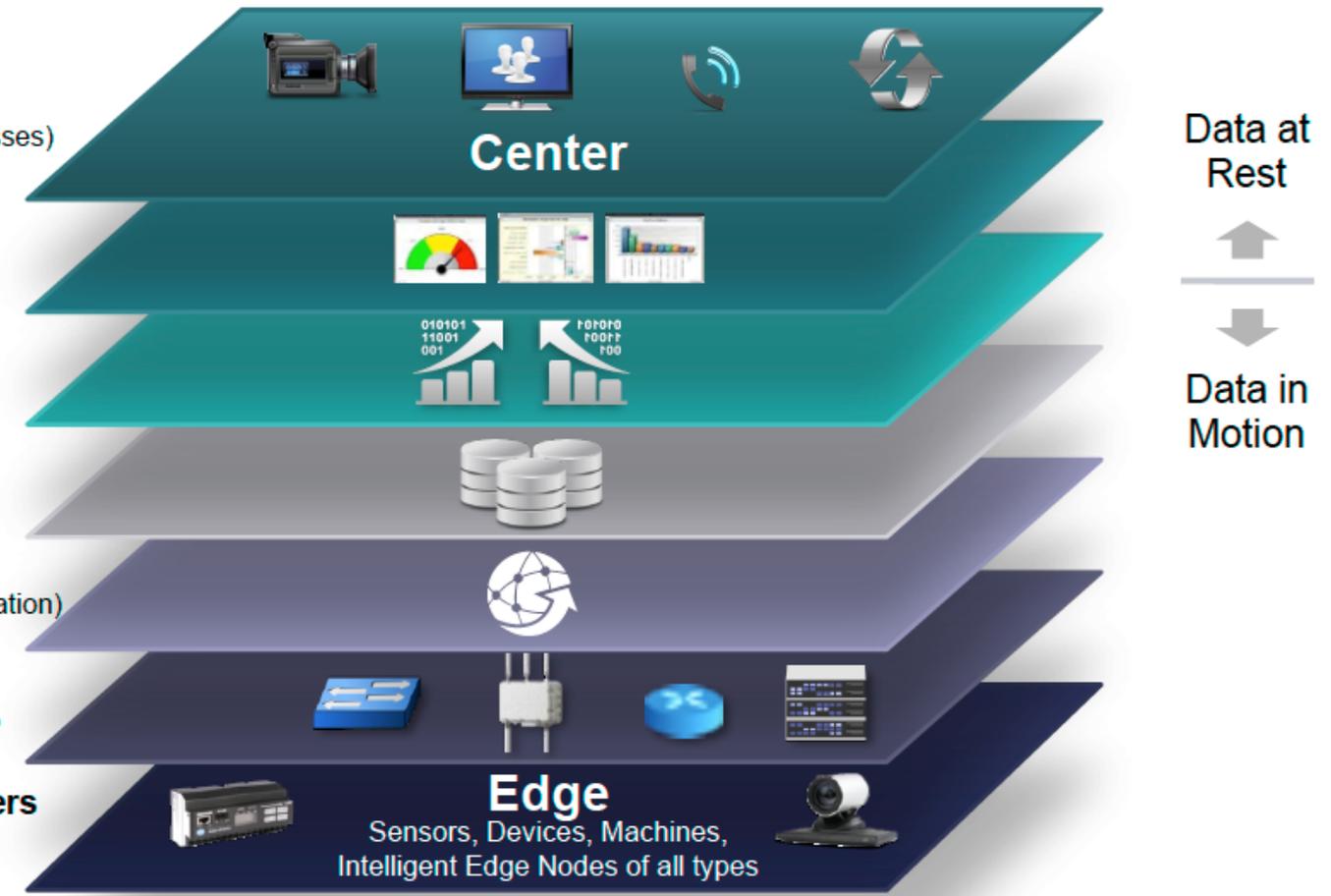


Tools/SDK  
Edge Servers  
Comm. / Control Chipsets

## Internet of Things Reference Model

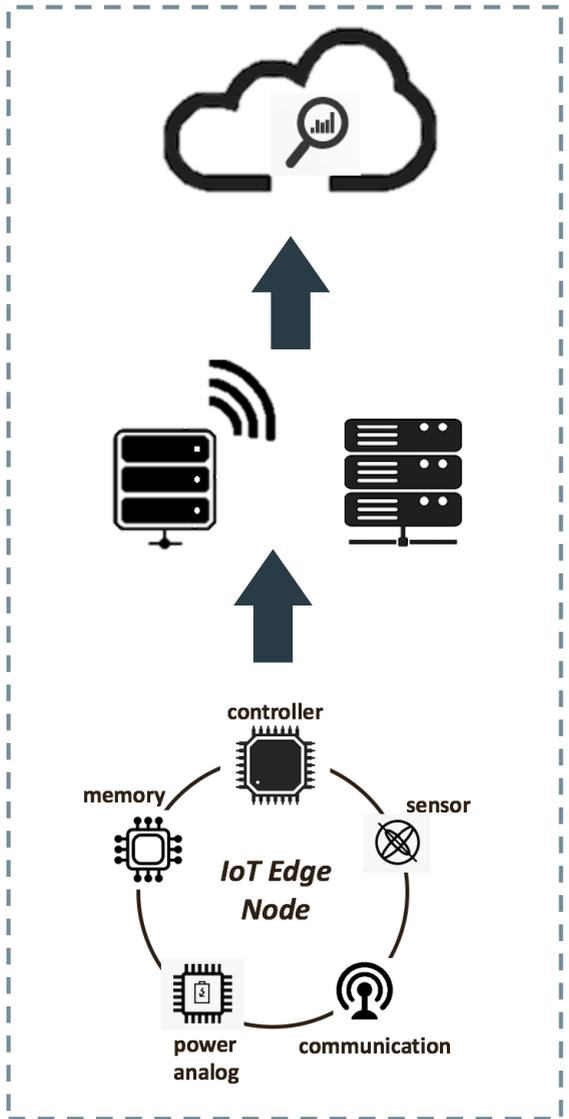
Levels

- 7 **Collaboration & Processes**  
(Involving People & Business Processes)
- 6 **Application**  
(Reporting, Analytics, Control)
- 5 **Data Abstraction**  
(Aggregation & Access)
- 4 **Data Accumulation**  
(Storage)
- 3 **Edge (Fog) Computing**  
(Data Element Analysis & Transformation)
- 2 **Connectivity**  
(Communication & Processing Units)
- 1 **Physical Devices & Controllers**  
(The "Things" in IoT)



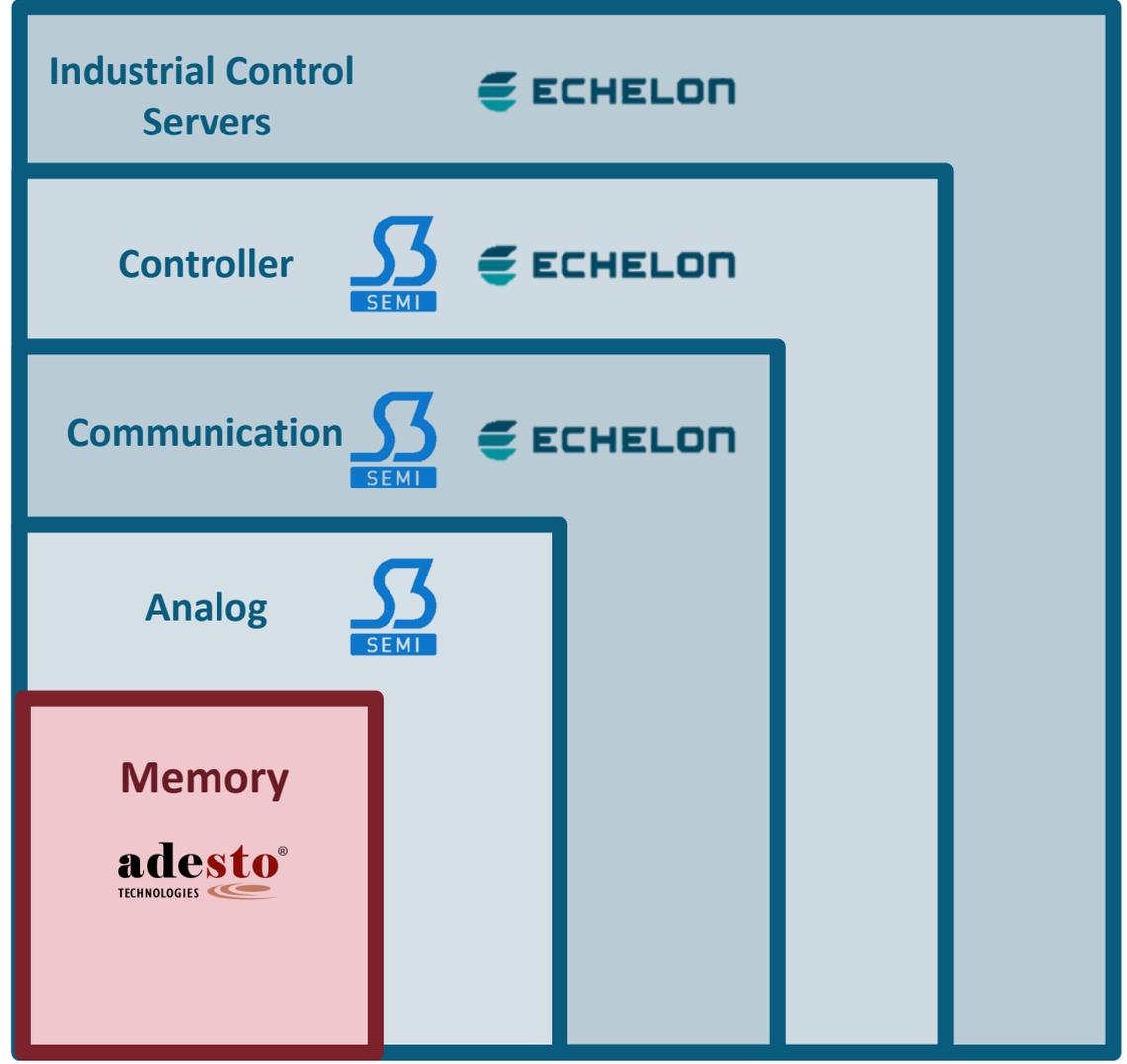
Reference: Cisco IoT Reference Model

# SAM Expansion



20B Connected Nodes by 2020

**New Adesto**  
 Increased Ownership of the  
 Key IoT Components and  
 Technologies with  
 Entrenched Position in  
 Industrial Markets



**\$1B+** → **\$20B+**

\* Estimated based on internal company estimates.

# Adesto Pro Forma Financial Highlights



## Echelon and S3 Semiconductors acquisitions enhance Adesto financial profile

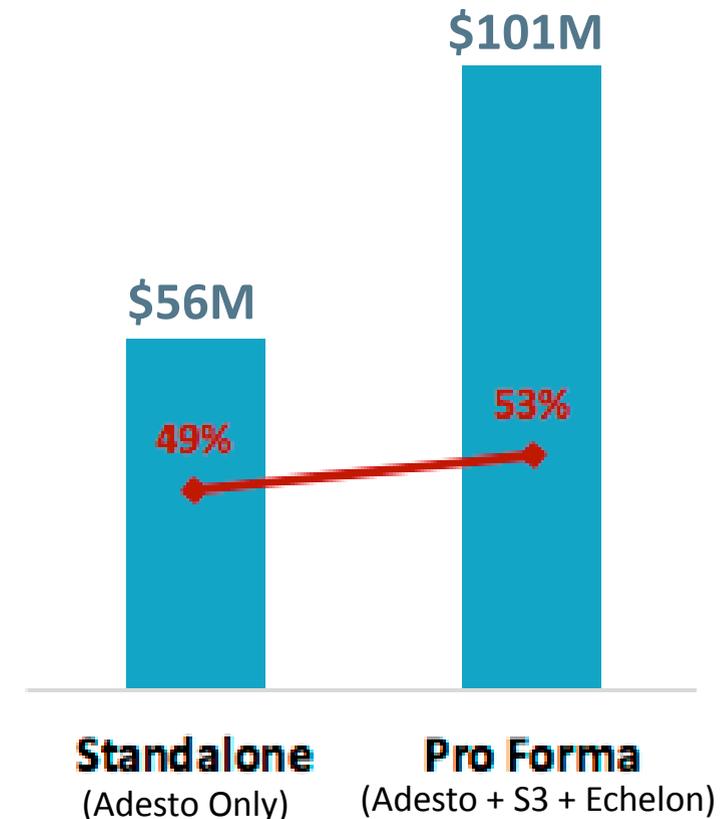
Pro Forma revenues of ~\$100M<sup>(2)</sup>

Gross margins of ~53%<sup>(1)</sup>

Expected cost synergies of \$6-8MM in the first twelve months <sup>(2)</sup>

Echelon transaction expected to be accretive to EBITDA and non-GAAP EPS in first twelve months <sup>(2)</sup>

2017 Pro Forma Revenue (\$MM) and Gross Margin (%)



(1) 2017 pro forma figures include Adesto Technologies and Echelon Corporation revenues and gross margins per public filings; S3 Semiconductors revenue and gross margins per estimates of Adesto management

(2) Adesto Technologies management estimates

IRRIGATION  
SPRING SCHEDULE

ARMED  
SECURITY SYSTEM:  
DOORS/WINDOWS

Thank You!

