

SEMTECH CORP
Form 10-Q
December 09, 2011
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended October 30, 2011

or

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from _____ to _____

Commission File Number 1-6395

SEMTECH CORPORATION

(Exact name of registrant as specified in its charter)

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Delaware
(State or other jurisdiction of
incorporation or organization)

95-2119684
(I.R.S. Employer
Identification No.)

200 Flynn Road, Camarillo, California, 93012-8790

(Address of principal executive offices, Zip Code)

Registrant's telephone number, including area code: (805) 498-2111

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act): Yes No

Number of shares of Common Stock, \$0.01 par value per share, outstanding at December 1, 2011: 65,090,975

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SEMTECH CORPORATION

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SEMTECH CORPORATION AND SUBSIDIARIES

UNAUDITED CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS

(in thousands, except per share data)

	Three Months Ended		Nine Months Ended	
	October 30, 2011	October 31, 2010	October 30, 2011	October 31, 2010
Net sales	\$ 123,944	\$ 123,125	\$ 376,569	\$ 338,232
Cost of sales	50,537	49,304	150,588	139,932
Gross profit	73,407	73,821	225,981	198,300
Operating costs and expenses:				
Selling, general and administrative	25,110	35,501	74,296	86,767
Product development and engineering	20,489	18,400	61,242	51,107
Intangible amortization and impairments	4,573	2,406	8,778	7,216
Total operating costs and expenses	50,172	56,307	144,316	145,090
Operating income	23,235	17,514	81,665	53,210
Interest and other income, net	729	3	172	508
Income before taxes	23,964	17,517	81,837	53,718
Provision for taxes (benefits)	(3,015)	1,412	5,138	7,149
Net Income	\$ 26,979	\$ 16,105	\$ 76,699	\$ 46,569
Earnings per share:				
Basic	\$ 0.41	\$ 0.26	\$ 1.18	\$ 0.75
Diluted	\$ 0.40	\$ 0.25	\$ 1.14	\$ 0.73
Weighted average number of shares used in computing earnings per share:				
Basic	65,440	62,493	65,180	61,950
Diluted	67,314	64,555	67,539	63,723

See accompanying notes. The accompanying notes are an integral part of these statements.

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SEMTECH CORPORATION AND SUBSIDIARIES
 CONSOLIDATED CONDENSED BALANCE SHEETS

(In thousands, except share data)

	October 30, 2011 (unaudited)	January 30, 2011
Assets		
Current assets:		
Cash and cash equivalents	\$ 183,140	\$ 119,019
Temporary investments	109,006	112,237
Accounts receivable, less allowances of \$5,472 at October 30, 2011 and \$4,597 at January 30, 2011	59,614	50,610
Inventories	47,152	47,719
Deferred tax assets	13,369	13,369
Other current assets	14,090	10,744
Total current assets	426,371	353,698
Non-current assets:		
Property, plant and equipment, net of accumulated depreciation of \$83,067 at October 30, 2011 and \$77,243 at January 30, 2011	68,512	56,778
Investments, maturities in excess of 1 year	25,314	27,086
Goodwill	129,651	129,651
Other intangibles, net	68,945	74,823
Other assets	21,919	17,907
TOTAL ASSETS	\$ 740,712	\$ 659,943
Liabilities and Stockholders Equity		
Current liabilities:		
Accounts payable	\$ 36,599	\$ 29,629
Accrued liabilities	26,155	55,842
Deferred revenue	4,623	5,020
Deferred tax liabilities	3,334	3,334
Total current liabilities	70,711	93,825
Non-current liabilities:		
Deferred tax liabilities	18,889	11,120
Other long-term liabilities	25,728	26,383
Stockholders equity:		
Common stock, \$0.01 par value, 250,000,000 shares authorized, 78,136,144 issued and 65,210,126 outstanding on October 30, 2011 and 78,136,144 issued and 63,927,740 outstanding on January 30, 2011	785	785
Treasury stock, at cost, 12,926,018 shares as of October 30, 2011 and 14,208,404 shares as of January 30, 2011	(216,772)	(232,267)
Additional paid-in capital	356,819	352,078
Retained earnings	483,975	407,276
Accumulated other comprehensive income	577	743
Total stockholders equity	625,384	528,615
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	\$ 740,712	\$ 659,943

See accompanying notes. The accompanying notes are an integral part of these statements.

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SEMTECH CORPORATION AND SUBSIDIARIES

UNAUDITED CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS

(in thousands)

	Nine Months Ended	
	October 30, 2011	October 31, 2010
Cash flows from operating activities:		
Net income	\$ 76,699	\$ 46,569
<i>Adjustments to reconcile net income to net cash provided by operations:</i>		
Depreciation and amortization	13,614	12,267
Deferred income taxes	5,209	1,909
Impairment of acquired intangible assets	2,470	
Stock-based compensation	17,149	22,925
Excess tax benefits on stock based compensation	(2,327)	(281)
(Gain) loss on disposition of property, plant and equipment	(6)	69
<i>Changes in assets and liabilities:</i>		
Accounts receivable, net	(9,004)	(27,748)
Inventories	560	(9,454)
Prepaid expenses and other assets	(8,115)	(3,051)
Accounts payable	6,579	12,630
Accrued liabilities	(27,629)	13,899
Deferred revenue	(397)	1,934
Income taxes payable and prepaid taxes	(881)	(9,271)
Other liabilities	(353)	2,209
Net cash provided by operations	73,568	64,606
Cash flows from investing activities:		
Purchase of available-for-sale investments	(90,331)	(148,802)
Proceeds from sales and maturities of available-for-sale investments	95,122	84,961
Proceeds from sale of property, plant and equipment	18	76
Purchases of property, plant and equipment	(18,007)	(18,016)
Purchase of intangible assets	(3,000)	
Net cash used in investing activities	(16,198)	(81,781)
Cash flows from financing activities:		
Excess tax benefits on stock based compensation	2,327	281
Proceeds from issuance of common stock	35,005	22,218
Repurchase of outstanding common stock	(30,579)	(2,714)
Net cash provided by financing activities	6,753	19,785
Effect of foreign currency translation on cash and cash equivalents	(2)	1
Net increase in cash and cash equivalents	64,121	2,611
Cash and cash equivalents at beginning of period	119,019	80,598
Cash and cash equivalents at end of period	\$ 183,140	\$ 83,209

See accompanying notes. The accompanying notes are an integral part of these statements.

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SEMTECH CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

(Unaudited)

Note 1: Organization and Basis of Presentation

Semtech Corporation (together with its subsidiaries, the Company) is a global supplier of analog and mixed-signal semiconductor products. The end-customers for the Company's products are primarily original equipment manufacturers (OEMs) that produce and sell electronics.

The Company designs, develops and markets a wide range of products for commercial applications, the majority of which are sold into the computing, communications, high-end consumer and industrial end-markets.

Computing: desktops, notebooks, servers, graphic boards, printers, and other computer peripherals

Communications: base stations, optical networks, switches and routers, wireless local area networks, and other communication infrastructure equipment

High-end consumer: handheld products, tablet computers, set-top boxes, digital televisions, digital video recorders and other consumer equipment

Industrial: automated meter reading, military and aerospace, medical, security systems, automotive, industrial and home automation, and other industrial equipment

Principles of Consolidation

The accompanying interim unaudited consolidated condensed financial statements of Semtech Corporation and its subsidiaries (the Company) have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (the SEC). In the opinion of the Company, these unaudited statements contain all adjustments (consisting of normal recurring adjustments) necessary to present fairly, in all material respects, the financial position of Semtech Corporation and its subsidiaries for the interim periods presented. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States (U.S. GAAP) have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the included disclosures are adequate to make the information presented not misleading.

These unaudited consolidated condensed financial statements should be read in conjunction with the consolidated financial statements and the notes thereto included in the Company's latest annual report on Form 10-K. The results reported in these unaudited consolidated condensed financ