

SEMTECH CORP  
Form 10-Q  
June 08, 2012

**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 April 29, 2012

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** **95-2119684**  
(State or other jurisdiction of **(I.R.S. Employer**  
**incorporation or organization)** **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 June 1, 2012: 65,567,128

SEMTECH CORPORATION

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FOR THE QUARTER ENDED APRIL 29, 2012

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## PART I - FINANCIAL INFORMATION

## ITEM 1. Financial Statements

## SEMTECH CORPORATION AND SUBSIDIARIES

## UNAUDITED CONSOLIDATED CONDENSED STATEMENTS OF INCOME

(in thousands, except per share data)

	Three Months Ended	
	April 29, 2012	May 1, 2011
<b>Net sales</b>	<b>\$ 116,642</b>	<b>\$ 122,371</b>
Cost of sales	61,305	48,517
<b>Gross profit</b>	<b>55,337</b>	<b>73,854</b>
<b>Operating costs and expenses:</b>		
Selling, general and administrative	44,818	26,705
Product development and engineering	24,083	18,525
Intangible amortization and impairments	5,578	2,102
Total operating costs and expenses	74,479	47,332
<b>Operating (loss) income</b>	<b>(19,142)</b>	<b>26,522</b>
Interest and other expense, net	(1,629)	(440)
(Loss) income before taxes	(20,771)	26,082
(Benefit) provision for taxes	(22,980)	3,500
<b>Net Income</b>	<b>\$ 2,209</b>	<b>\$ 22,582</b>
<b>Earnings per share:</b>		
Basic	\$ 0.03	\$ 0.35
Diluted	\$ 0.03	\$ 0.34
<b>Weighted average number of shares used in computing earnings per share:</b>		
Basic	65,282	64,552
Diluted	67,233	67,123

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

SEMTECH CORPORATION AND SUBSIDIARIES  
 UNAUDITED CONSOLIDATED CONDENSED STATEMENTS OF  
 COMPREHENSIVE INCOME

(in thousands)

	Three Months Ended	
	April 29, 2012	May 1, 2011
Net income	\$ 2,209	\$ 22,582
Other comprehensive income, net of tax:		
Change in net unrealized holding loss on available-for-sale investments	(20)	(37)
Change in cumulative translation adjustment	376	
Other comprehensive income (loss)	356	(37)
Total comprehensive income	\$ 2,565	\$ 22,545

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

SEMTECH CORPORATION AND SUBSIDIARIES  
CONSOLIDATED CONDENSED BALANCE SHEETS

(in thousands, except share data)

	April 29, 2012 (unaudited)	January 29, 2012
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 138,901	\$ 227,022
Temporary investments	8,611	83,121
Accounts receivable, less allowances of \$3,834 at April 29, 2012 and \$3,594 at January 29, 2012	64,423	49,644
Inventories	95,960	46,995
Deferred tax assets	13,826	5,339
Other current assets	31,161	15,191
<b>Total current assets</b>	<b>352,882</b>	<b>427,312</b>
Non-current assets:		
Property, plant and equipment, net of accumulated depreciation of \$88,912 at April 29, 2012 and \$85,393 at January 29, 2012	97,338	69,713
Investments, maturities in excess of one year	13,522	17,522
Deferred income taxes	50,902	
Goodwill	398,723	129,651
Other intangibles, net	236,766	66,720
Other assets	22,331	15,403
<b>TOTAL ASSETS</b>	<b>\$ 1,172,464</b>	<b>\$ 726,321</b>
<b>Liabilities and Stockholders Equity</b>		
Current liabilities:		
Accounts payable	\$ 42,654	\$ 26,699
Accrued liabilities	38,173	32,389
Deferred revenue	5,091	3,853
Current portion - long term debt	21,825	
Deferred tax liabilities	4,168	4,041
<b>Total current liabilities</b>	<b>111,911</b>	<b>66,982</b>
Non-current liabilities:		
Deferred tax liabilities	58,575	1,000
Long term debt, less current	325,251	
Other long-term liabilities	35,783	28,151
Stockholders equity:		
Common stock, \$0.01 par value, 250,000,000 shares authorized, 78,136,144 issued and 65,510,596 outstanding on April 29, 2012 and 78,136,144 issued and 64,964,780 outstanding on January 29, 2012	785	785
Treasury stock, at cost, 12,625,548 shares as of April 29, 2012 and 13,171,364 shares as of January 29, 2012	(216,499)	(225,822)
Additional paid-in capital	357,196	358,327
Retained earnings	498,571	496,363
Accumulated other comprehensive income	891	535
<b>Total stockholders equity</b>	<b>640,944</b>	<b>630,188</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS EQUITY</b>	<b>\$ 1,172,464</b>	<b>\$ 726,321</b>

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

## SEMTECH CORPORATION AND SUBSIDIARIES

## UNAUDITED CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS

(in thousands)

	Three Months Ended	
	April 29, 2012	May 1, 2011
Cash flows from operating activities:		
Net income	\$ 2,209	\$ 22,582
<i>Adjustments to reconcile net income to net cash (used in) provided by operations, net of effects of acquisitions:</i>		
Depreciation, amortization and impairment	21,296	4,271
Accretion of deferred financing costs and debt discount	328	
Accrued interest expense	350	
Deferred income taxes	(20,152)	2,786
Stock-based compensation	5,326	7,487
Excess tax benefits on stock based compensation	(1,842)	(1,075)
Loss on disposition of property, plant and equipment	40	7
<i>Changes in assets and liabilities:</i>		
Accounts receivable, net	(264)	208
Inventories	1,479	(2,449)
Prepaid expenses and other assets	4,112	(1,182)
Accounts payable	(4,007)	3,859
Accrued liabilities	(17,809)	(29,041)
Deferred revenue	738	(108)
Income taxes payable and prepaid taxes	(4,401)	(1,320)
Other liabilities	863	316
Net cash (used in) provided by operations	(11,734)	6,341
Cash flows from investing activities:		
Purchase of available-for-sale investments	(10,106)	(25,000)
Proceeds from sales and maturities of available-for-sale investments	88,592	22,583
Proceeds from sale of property, plant and equipment		5
Purchases of property, plant and equipment	(4,630)	(7,469)
Acquisitions, net of cash acquired	(491,717)	
Net cash (used in) investing activities	(417,861)	(9,881)
Cash flows from financing activities:		
Proceeds of debt issue, net of discount	347,000	
Deferred financing cost	(8,962)	
Excess tax benefit received on stock options	1,842	1,075
Exercise of stock options	1,606	18,501
Repurchase of outstanding common stock	(182)	(450)
Net cash provided by financing activities	341,304	19,126
Effect of exchange rate increase on cash and cash equivalents	170	
Net (decrease) increase in cash and cash equivalents	(88,121)	15,586
Cash and cash equivalents at beginning of period	227,022	119,019
Cash and cash equivalents at end of period	\$ 138,901	\$ 134,605

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 or Semtech) 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:* optical receiver and transceiver, desktops, notebooks, servers, graphic boards, monitors, printers and other computer peripherals.

*Communications:* base stations, backplane, optical networks, carrier networks, switches and routers, servers, cable modems, signal conditioners, wireless LAN and other communication infrastructure equipment.

*High-End Consumer:* handheld products, set-top boxes, digital televisions, tablet computers, digital video recorders, thunderbolt and fiberless high-speed interfaces and other consumer equipment.

*Industrial:* broadcast studio equipment, automated meter reading, military and aerospace, medical, security systems, automotive, industrial and home automation, video optical modules, video security & surveillance and other industrial equipment.

*Principles of Consolidation*

The accompanying interim unaudited consolidated condensed financial statements of Semtech Corporation and its subsidiaries 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.

In March 2012, the Company completed the acquisitions of Gennum Corporation (Gennum) and Cycleo SAS (Cycleo). The Unaudited Consolidated Condensed Financial Statements include the results of operations of Gennum and Cycleo commencing as of the acquisition dates. See Note 2 for further discussion.

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 financial statements should not be regarded as necessarily indicative of results that may be expected for any subsequent period or for the entire year.

*Fiscal Year*

The Company reports results on the basis of 52 and 53 week periods and ends its fiscal year on the last Sunday in January. The other quarters generally end on the last Sunday of April, July and October. All quarters consist of 13 weeks except for one 14-week period in 53-week years. The first quarter of fiscal years 2013 and 2012 each consisted of 13 weeks.

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