

INPHI Corp  
Form 10-Q  
November 07, 2018

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**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

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**Form 10-Q**

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(Mark  
One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934**

**For the quarterly period ended September 30, 2018**

**Or**

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934**

**Commission file number 001-34942**

**Inphi Corporation**

*(Exact Name of Registrant as Specified in Its Charter)*

**Delaware**

*(State or Other Jurisdiction  
of Incorporation or Organization)*

**77-0557980**

*(I.R.S. Employer  
Identification No.)*

**2953 Bunker Hill Lane, Suite 300,**

**Santa Clara, California 95054**

*(Address of Principal Executive Offices) (Zip Code)*

**Registrant's telephone number, including area code: (408) 217-7300**

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 every Interactive Data File required to be submitted 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 such files). Yes No

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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

The total number of shares outstanding of the Registrant's common stock, \$0.001 par value per share, as of November 1, 2018 was 44,111,553.



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**INPHI CORPORATION**

**QUARTERLY REPORT ON FORM 10-Q  
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2018**

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(in thousands, except share and per share amounts)

	<b>September 30,  2018</b>	<b>December 31,  2017</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 172,420	\$ 163,450
Investments in marketable securities	222,561	241,737
Accounts receivable, net	48,440	67,993
Inventories	34,124	31,721
Prepaid expenses and other current assets	8,402	12,208
Total current assets	485,947	517,109
Property and equipment, net	67,469	60,344
Goodwill	104,502	104,502
Identifiable intangible assets, net	196,533	222,933
Other assets, net	30,929	12,618
Total assets	\$ 885,380	\$ 917,506
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 14,257	\$ 14,721
Deferred revenue	300	435
Accrued employee expenses	9,173	15,214
Other accrued expenses	5,193	8,290
Other current liabilities	23,499	21,387
Total current liabilities	52,422	60,047
Convertible debt	440,997	421,431
Other long-term liabilities	14,694	24,627
Total liabilities	508,113	506,105
Commitments and contingencies (Note 16)		

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Stockholders' equity:		
Preferred stock, \$0.001 par value; 10,000,000 shares authorized; no shares issued	—	—
Common stock, \$0.001 par value; 500,000,000 shares authorized; 44,027,738 and 42,780,229 issued and outstanding at September 30, 2018 and December 31, 2017, respectively	44	43
Additional paid-in capital	524,915	484,934
Accumulated deficit	(148,265 )	(74,145 )
Accumulated other comprehensive income	573	569
Total stockholders' equity	377,267	411,401
Total liabilities and stockholders' equity	\$ 885,380	\$ 917,506

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

Table of Contents**INPHI CORPORATION****UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF INCOME (LOSS)**

(in thousands, except share and per share amounts)

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
Revenue	\$78,009	\$84,511	\$207,959	\$262,518
Cost of revenue	34,547	42,440	92,340	119,099
Gross profit	43,462	42,071	115,619	143,419
Operating expenses:				
Research and development	41,558	78,849	127,300	158,574
Sales and marketing	10,819	10,100	32,472	31,580
General and administrative	7,134	5,584	21,767	18,177
Total operating expenses	59,511	94,533	181,539	208,331
Loss from operations	(16,049 )	(52,462 )	(65,920 )	(64,912 )
Interest expense	(8,202 )	(7,566 )	(23,870 )	(22,109 )
Other income, net	1,383	1,080	7,264	2,656
Loss before income taxes	(22,868 )	(58,948 )	(82,526 )	(84,365 )
Benefit for income taxes	(203 )	(10,182 )	(8,406 )	(9,359 )
Net loss	\$ (22,665 )	\$ (48,766 )	\$ (74,120 )	\$ (75,006 )
Earnings per share:				
Basic earnings per share	\$ (0.52 )	\$ (1.15 )	\$ (1.70 )	\$ (1.78 )
Diluted earnings per share	\$ (0.52 )	\$ (1.15 )	\$ (1.70 )	\$ (1.78 )
Weighted-average shares used in computing earnings per share:				
Basic	43,934,598	42,350,313	43,535,033	42,022,272
Diluted	43,934,598	42,350,313	43,535,033	42,022,272

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

Table of Contents**INPHI CORPORATION****UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)****(in thousands)**

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September 30, 2018</b>	<b>September 30, 2017</b>	<b>September 30, 2018</b>	<b>September 30, 2017</b>
Net loss	\$(22,665)	\$(48,766)	\$(74,120)	\$(75,006)
Other comprehensive income (loss):				
Available for sale investments:				
Change in unrealized gain or loss, net of tax	140	42	5	266
Realized gain reclassified into earnings, net of tax	—	—	(1)	—
Comprehensive loss	\$(22,525)	\$(48,724)	\$(74,116)	\$(74,740)

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.



Table of Contents**INPHI CORPORATION****UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****(in thousands)**

	<b>Nine Months Ended September 30,</b>	
	<b>2018</b>	<b>2017</b>
<b>Cash flows from operating activities</b>		
Net loss	\$(74,120 )	\$(75,006 )
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	59,944	58,730
Stock-based compensation	47,509	32,368
Impairment of intangible assets	—	47,014
Deferred income taxes	(8,858 )	(10,304 )
Accretion of convertible debt and amortization of debt issuance costs	19,566	18,217
Net unrealized gain on equity investments	(2,375 )	—
Amortization of premium (discount) on marketable securities	(341 )	931
Other noncash items	362	(50 )
Changes in assets and liabilities:		
Accounts receivable	19,553	(21,576 )
Inventories	(2,403 )	(2,597 )
Prepaid expenses and other assets	704	2,494
Income tax payable/receivable	(1,607 )	(1,020 )
Accounts payable	918	3,081
Accrued expenses	(9,235 )	(3,836 )
Deferred revenue	(135 )	4,369
Other liabilities	(1,080 )	(4,570 )
Net cash provided by operating activities	48,402	48,245
<b>Cash flows from investing activities</b>		
Purchases of property and equipment	(23,876 )	(30,914 )
Purchases of marketable securities	(177,003)	(158,244)
Sales of marketable securities	6,312	39,372
Maturities of marketable securities	190,060	139,768
Payment of debt related to purchase of intangible assets	(17,178 )	(12,799 )
Remaining payment related to acquisition of business	—	(1,800 )
Purchase of equity investment	(12,811 )	—
Proceeds from sale of discontinued operations	—	10,690
Proceeds from sale of equity investment	2,414	—
Other investing activity	125	100
Net cash used in investing activities	(31,957 )	(13,827 )
<b>Cash flows from financing activities</b>		

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Proceeds from exercise of stock options	522	1,514
Proceeds from employee stock purchase plan	5,906	5,776
Payment of capital lease obligations	(417 )	(731 )
Repayment of long-term loan	310	272
Minimum tax withholding paid on behalf of employees for restricted stock units	(13,796 )	(20,248 )
Net cash used in financing activities	(7,475 )	(13,417 )
Net increase in cash and cash equivalents	8,970	21,001
Cash and cash equivalents at beginning of period	163,450	144,867
Cash and cash equivalents at end of period	\$ 172,420	\$ 165,868
Supplemental cash flow information:		
Income taxes paid	\$2,000	\$2,100
Interest paid	4,214	3,378
Supplemental disclosure of non-cash investing and financing activities:		
Intangible assets financed with debt	18,611	2,808

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

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**INPHI CORPORATION**

**Notes to Unaudited Condensed Consolidated Financial Statements**

**(Dollars in thousands except share and per share amounts)**

**1. Organization and Basis of Presentation**

Inphi Corporation (the “Company”), a Delaware corporation, was incorporated in November 2000. The Company is a fabless provider of high-speed analog and mixed signal semiconductor solutions for the communications and datacenter markets. The Company’s semiconductor solutions are designed to address bandwidth bottlenecks in networks, maximize throughput and minimize latency in computing environments and enable the rollout of next generation communications and datacenter infrastructures. In addition, the semiconductor solutions provide a vital high-speed interface between analog signals and digital information in high-performance systems such as telecommunications transport systems, enterprise networking equipment and datacenters.

The interim unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (“GAAP”) for interim financial information and in accordance with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. They do not include all of the information and footnotes required by GAAP for complete financial statements. Therefore, these interim unaudited condensed consolidated financial statements should be read in conjunction with the Company’s audited consolidated financial statements and notes thereto for the year ended December 31, 2017, included in the Company’s Annual Report on Form 10-K filed with the Securities and Exchange Commission (“SEC”) on February 28, 2018.