

CYPRESS SEMICONDUCTOR CORP /DE/
Form 10-Q/A
November 15, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q/A
(Amendment No.1)

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

For the quarterly period ended September 29, 2013
OR

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

Commission file number 1-10079

CYPRESS SEMICONDUCTOR CORPORATION
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)
198 Champion Court, San Jose, California 95134
(Address of principal executive offices and zip code)
(408) 943-2600
(Registrant's telephone number, including area code)

94-2885898
(I.R.S. Employer Identification No.)

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 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 definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

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

The total number of outstanding shares of the registrant's common stock as of October 24, 2013 was 151,101,454.

EXPLANATORY NOTE

The sole purpose of this Amendment No. 1 on Form 10-Q/A (the “Amendment”) to the Quarterly Report on Form 10-Q of Cypress Semiconductor Corporation that was filed with the Securities and Exchange Commission on November 1, 2013 (the “Form 10-Q”) is to correct an error in the diluted earnings per share amount presented in Note 13 Earnings per Share and the Non-GAAP Reconciliation included in Management’s Discussion and Analysis of Financial Condition and Results of Operations. The error was caused by a formatting change made by our third party software and service provider and has no impact to the financial information contained within our XBRL files. Except as described above, no other amendments are being made to the Form 10-Q. This Amendment does not modify or update in any way the other disclosures contained in the Form 10-Q.

INDEX

	Page
PART I—FINANCIAL INFORMATION	
Item 1. <u>Financial Statements</u> (unaudited)	<u>4</u>
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	<u>5</u>
Signatures	<u>8</u>

PART I—FINANCIAL INFORMATION

NOTE 13. NET INCOME (LOSS) PER SHARE

The following table sets forth the computation of basic and diluted net income (loss) per share:

	Three Months Ended		Nine Months Ended	
	September 29, 2013	September 30, 2012	September 29, 2013	September 30, 2012
	(In thousands, except per-share amounts)			
Net income (loss) attributable to Cypress	\$(8,358	) \$14,332	\$(32,787	) \$(151
Weighted-average common shares	149,679	147,673	147,551	151,153
Weighted-average diluted shares	149,679	160,300	147,551	151,153
Net income (loss) per share—basic	\$(0.06	) \$0.10	\$(0.22) \$—
Net income (loss) per share—diluted	\$(0.06	) \$0.09	\$(0.22) \$—

For the three and nine months ended September 29, 2013, approximately 8.8 million and 7.6 million weighted average potentially dilutive securities, respectively, were excluded in the computation of diluted net income (loss) per share because their effect would have been anti-dilutive.

For the three and nine months ended September 30, 2012, approximately 8.3 million and 6.2 million weighted average potentially dilutive securities, respectively, were excluded in the computation of diluted net income (loss) per share because their effect would have been anti-dilutive.

Non-GAAP Financial Measures

Regulation G, conditions for use of Non-Generally Accepted Accounting Principles (“Non-GAAP”) financial measures, and other SEC regulations define and prescribe the conditions for use of certain Non-GAAP financial information. To supplement our condensed consolidated financial results presented in accordance with GAAP, we use Non-GAAP financial measures which are adjusted from the most directly comparable GAAP financial measures to exclude certain items, as described below. Management believes that these Non-GAAP financial measures reflect an additional and useful way of viewing aspects of our operations that, when viewed in conjunction with our GAAP results, provide a more comprehensive understanding of the various factors and trends affecting our business and operations.

Non-GAAP financial measures used by us include gross margin, research and development expenses, selling, general and administrative expenses, operating income or loss, net income or loss and basic and diluted net income or loss per share.

Our Non-GAAP measures primarily exclude stock-based compensation, acquisition-related charges, impairments to goodwill, gain or losses on divestiture, investment-related gains and losses, discontinued operations, restructuring costs and other special charges and credits. Management believes these Non-GAAP financial measures provide meaningful supplemental information regarding our strategic and business decision making, internal budgeting, forecasting and resource allocation processes. In addition, these Non-GAAP financial measures facilitate management’s internal comparisons to our historical operating results and comparisons to competitors’ operating results.

We use each of these Non-GAAP financial measures for internal managerial purposes, when providing our financial results and business outlook to the public, to facilitate period-to-period comparisons and are used to formulate our formula driven cash bonus plan and any milestone based stock awards. Management believes that these Non-GAAP measures provide meaningful supplemental information regarding our operational and financial performance of current and historical results. Management uses these Non-GAAP measures for strategic and business decision making, internal budgeting, forecasting and resource allocation processes. In addition, these Non-GAAP financial measures facilitate management’s internal comparisons to our historical operating results and comparisons to competitors’ operating results.

The following table shows our Non-GAAP financial measures:

	Three Months Ended	
	September 29, 2013	September 30, 2012
	(In thousands, except per share amounts)	
Non-GAAP gross margin	\$ 101,507	\$ 115,928
Non-GAAP research and development expenses	\$ 41,978	\$ 41,457
Non-GAAP selling, general and administrative expenses	\$ 34,416	\$ 39,323
Non-GAAP operating income	\$ 25,113	\$ 35,148
Non-GAAP net income attributable to Cypress	\$ 22,015	\$ 32,322
Non-GAAP net income per share attributable to Cypress—diluted	\$ 0.14	\$ 0.20

We believe that providing these Non-GAAP financial measures, in addition to the GAAP financial results, are useful to investors because they allow investors to see our results “through the eyes” of management as these Non-GAAP financial measures reflect our internal measurement processes. Management believes that these Non-GAAP financial measures enable investors to better assess changes in each key element of our operating results across different reporting periods on a consistent basis and provides investors with another method for assessing our operating results in a manner that is focused on the performance of our ongoing operations.

CYPRESS SEMICONDUCTOR CORPORATION
 RECONCILIATION OF GAAP FINANCIAL MEASURES TO NON-GAAP FINANCIAL MEASURES
 (In thousands, except per-share data)
 (Unaudited)

	Three Months Ended	
	September 29, 2013	September 30, 2012
	(In thousands, except per share amounts)	
GAAP gross margin	\$91,653	\$110,056
Stock-based compensation expense	2,804	4,526
Changes in value of deferred compensation plan	265	217
Acquisition-related expenses	6,849	—
Impairment of assets and other	(64	) 1,129
Non-GAAP gross margin	\$101,507	\$115,928
GAAP research and development expenses	\$50,429	\$46,908
Stock-based compensation expense	(6,806	) (5,062
Acquisition-related expenses	(19) —
Changes in value of deferred compensation plan	(548	) (389
Impairment of assets and other	(1,078) —
Non-GAAP research and development expenses	\$41,978	\$41,457
GAAP selling, general and administrative expenses	\$45,533	\$47,328
Stock-based compensation expense	(9,701	) (6,513
Changes in value of deferred compensation plan	(1,181	) (945
Acquisition-related expenses	(366	) (547
Impairment of assets and other	131	—
Non-GAAP selling, general and administrative expenses	\$34,416	\$39,323
GAAP operating income (loss)	\$ (9,989	) \$15,047
Stock-based compensation expense	19,311	16,101
Changes in value of deferred compensation plan	1,994	1,551
Acquisition-related expenses	9,221	1,254
Impairment of assets and other	883	1,129
Restructuring charges	3,693	66
Non-GAAP operating income	\$25,113	\$35,148
GAAP net income (loss) attributable to Cypress	\$ (8,358	) \$14,332
Stock-based compensation	19,311	16,101
Changes in value of deferred compensation plan	(97	) 48
Acquisition-related expenses	9,221	1,254
Impairment of assets and other	883	1,129
Restructuring charges	3,693	66
Tax and tax-related items	(2,638	) (2,246
Investment-related gains/losses	—	1,638
Non-GAAP net income attributable to Cypress	\$22,015	\$32,322
GAAP net income (loss) per share attributable to Cypress-diluted	(0.06	) \$0.09
Stock-based compensation expense and other	0.12	0.10
Acquisition-related expenses	0.02	0.01
Impairment of assets and other	0.05	0.01
Restructuring charges	0.02	—

Edgar Filing: CYPRESS SEMICONDUCTOR CORP /DE/ - Form 10-Q/A

Tax and tax-related items	(0.02	) (0.02)
Investment-related gains/losses	—	0.01	
Non-GAAP share count adjustment	0.01	—	
Non-GAAP net income attributable to Cypress-diluted	\$0.14	\$0.20	

6

PART II—OTHER INFORMATION

ITEM 6. Exhibits and Financial Statement Schedules

Exhibit Number	Exhibit Description	Incorporated by References		
		Form	Filing Date/ Period End Date	Filed Herewith
31.1	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	10-Q/A	11/15/2013	X
31.2	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	10-Q/A	11/15/2013	X
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	10-Q/A	11/15/2013	X
32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	10-Q/A	11/15/2013	X

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereto duly authorized.

**CYPRESS SEMICONDUCTOR
CORPORATION**

Date: November 15, 2013

By: /s/ BRAD W. BUSS
Brad W. Buss
Executive Vice President, Finance
and Administration
and Chief Financial Officer