

MINDSPEED TECHNOLOGIES, INC

Form 10-Q

May 08, 2012

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 30, 2012

OR

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

Commission file number: 001-31650

MINDSPEED TECHNOLOGIES, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State of incorporation)

01-0616769
(I.R.S. Employer)

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Identification No.)

4000 MacArthur Boulevard, East Tower

Newport Beach, California
(Address of principal executive offices)

92660-3095
(Zip code)

Registrant's telephone number, including area code:

(949) 579-3000

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. (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 number of outstanding shares of the Registrant's Common Stock as of April 27, 2012 was 41,331,146.

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FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains statements (including certain projections and business trends) relating to Mindspeed Technologies, Inc. that are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the Securities Act), and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act), and are subject to the safe harbor created by those sections. All statements included in this Quarterly Report on Form 10-Q, other than those that are purely historical, are forward-looking statements. Words such as expect, believe, anticipate, outlook, could, target, project, intend, plan, seek, estimate, assume and continue, as well as variations of such words and similar expressions, also identify forward-looking statements. Forward-looking statements in this Quarterly Report on Form 10-Q include, without limitation, statements regarding:

our expectations regarding the achievement of the potential earnout payments in connection with our acquisition of picoChip Inc. and its wholly owned subsidiaries;

our plans to maintain our position in the 3G small cell base station market as the small cell base station market transitions to dual-mode 3G/4G and 4G-only products;

the ability of our relationships with leading network infrastructure original equipment manufacturers to facilitate early adoption of our products, enhance our ability to obtain design wins and encourage adoption of our technology in the industry;

the growth prospects for the network infrastructure equipment and communications semiconductors markets, including increased demand for network capacity, the upgrade and expansion of existing networks and the build-out of networks in developing countries;

our belief that our diverse portfolio of semiconductor solutions has positioned us to capitalize on some of the most significant trends in telecommunications spending;

our belief that we are well-situated in China and that fiber deployments are being rolled out by the country's major telecommunications carriers;

our plans to make substantial investments in research and development and participate in the formulation of industry standards;

our belief that we can maximize our return on our research and development spending by focusing our investment in what we believe are key growth markets;

the increasing trend toward industry consolidation and the effect it could have on our operating results;

the sufficiency of our cash balances, along with cash expected from product sales, to fund our operations, research and development efforts, anticipated capital expenditures, working capital and other financing requirements, including interest payments on debt obligations, for the next 12 months;

our restructuring plans, including timing, expected workforce reductions, the expected cost savings under our restructuring plans and the uses of those savings, the timing and amount of payments, the impact on our business, the amounts of future charges to complete

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our restructuring plans, including any future plans to reduce operating expenses and/or increase revenue;

our intention to continue to expand our international business activities, including expansion of design and operations centers abroad, and the challenges associated with such expansion;

our expectations regarding the cyclical nature of the semiconductor industry; and

the impact of recent accounting pronouncements and the adoption of new accounting standards.

Our expectations, beliefs, anticipations, objectives, intentions, plans and strategies regarding the future are not guarantees of future performance and are subject to risks and uncertainties that could cause actual results, and actual events that occur, to differ materially from results contemplated by the forward-looking statement. These risks and uncertainties include, but are not limited to:

worldwide political and economic uncertainties and specific conditions in the markets we address;

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fluctuations in our operating results and future operating losses;

cash requirements and terms and availability of financing;

our acquisition of picoChip Inc. and its wholly owned subsidiaries;

constraints in the supply of wafers and other product components from our third-party manufacturers;

fluctuations in the price of our common stock;

successful development and introduction of new products;

pricing pressures and other competitive factors;

loss of or diminished demand from one or more key customers or distributors;

lengthy sales cycles;

doing business internationally and our ability to successfully and cost effectively establish and manage operations in foreign jurisdictions;

the expense of and our ability to defend our intellectual property against infringement claims by others;

our ability to attract and retain qualified personnel;

business acquisitions and investments;

order and shipment uncertainty;

our ability to obtain design wins and develop revenue from them;

product defects and bugs; and

our ability to utilize our net operating loss carryforwards and certain other tax attributes.

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The forward-looking statements in this report are subject to additional risks and uncertainties, including those set forth in Part II, Item 1A – Risk Factors and those detailed from time to time in our other filings with the SEC. These forward-looking statements are made only as of the date hereof and, except as required by law, we undertake no obligation to update or revise any of them, whether as a result of new information, future events or otherwise.

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(unaudited, in thousands, except par value)

	March 30, 2012	September 30, 2011
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 32,354	\$ 45,227
Receivables, net of allowance for doubtful accounts of \$494 at March 30, 2012 and \$376 at September 30, 2011	22,307	13,393
Inventories	10,837	14,216
Prepaid expenses and other current assets	5,799	3,067
Total current assets	71,297	75,903
Property, plant and equipment, net	17,214	15,369
Intangible assets, net	37,339	17,357
Goodwill	57,639	
Other assets	2,848	1,982
Total assets	\$ 186,337	\$ 110,611
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable	\$ 15,659	\$ 5,532
Accrued compensation and benefits	7,331	7,292
Accrued income taxes	990	690
Deferred income on sales to distributors	4,875	5,346
Deferred revenue	4,086	653
Restructuring	867	944
Line of credit - current	5,490	
Contingent consideration	10,038	
Other current liabilities	9,488	5,100
Total current liabilities	58,824	25,557
Line of credit - long-term	8,000	
Long-term debt	29,423	14,216
Other liabilities	1,091	1,426
Total liabilities	97,338	41,199
Commitments and contingencies (Note 7)		
Stockholders' Equity		
Preferred stock, \$0.01 par value: 25,000 shares authorized; no shares issued or outstanding		
Common stock, \$0.01 par value, 100,000 shares authorized; 41,029 (March 30, 2012) and 34,515 (September 30, 2011) issued and outstanding shares	411	345

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Additional paid-in capital	366,306	326,863
Accumulated deficit	(277,590)	(257,756)
Accumulated other comprehensive loss	(128)	(40)
Total stockholders' equity	88,999	69,412
Total liabilities and stockholders' equity	\$ 186,337	\$ 110,611

See accompanying notes to consolidated condensed financial statements.

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	Three Months Ended		Six Months Ended	
	March 30, 2012	April 1, 2011	March 30, 2012	April 1, 2011
Net revenue:				
Products	\$ 34,858	\$ 38,553	\$ 68,700	\$ 76,596
Intellectual property	501		591	2,500
Total net revenue	35,359	38,553	69,291	79,096
Cost of goods sold	14,839	14,283	29,058	28,564
Gross margin	20,520	24,270	40,233	50,532
Operating expenses:				
Research and development	17,740	14,525	32,748	28,448
Selling, general and administrative	13,088	10,079	22,410	20,290
Acquisition-related costs	2,259		3,067	
Restructuring charges	1,272		1,272	(18)
Total operating expenses	34,359	24,604	59,497	48,720
Operating (loss)/income	(13,839)	(334)	(19,264)	1,812
Interest expense	(571)	(399)	(959)	(797)
Other income, net	309	109	611	259
(Loss)/income before income taxes	(14,101)	(624)	(19,612)	1,274
Provision for income taxes	134	135	222	334
Net (loss)/income	\$ (14,235)	\$ (759)	\$ (19,834)	\$ 940
Net (loss)/income per share:				
Basic	\$ (0.39)	\$ (0.02)	\$ (0.57)	\$ 0.03
Diluted	\$ (0.39)	\$ (0.02)	\$ (0.57)	\$ 0.03
Weighted-average number of shares used in per share computation:				
Basic	36,293	32,133	34,597	32,021
Diluted	36,293	32,133	34,597	