

MICROCHIP TECHNOLOGY INC

Form 10-Q

November 08, 2010

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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 September 30, 2010.

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: 0-21184

MICROCHIP TECHNOLOGY INCORPORATED

(Exact Name of Registrant as Specified in Its Charter)

Delaware

(State or Other Jurisdiction of Incorporation or  
Organization)

86-0629024

(IRS Employer Identification No.)

2355 W. Chandler Blvd., Chandler, AZ 85224-6199

(480) 792-7200

(Address, Including Zip Code, and Telephone Number,  
Including Area Code, of Registrant's  
Principal Executive Offices)

Indicate by checkmark 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 the filing requirements for the past 90 days.

Yes

☒ x

No

☐ o

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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            x                                  No            o

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:

Large accelerated filer	Accelerated filer	Other
Non-accelerated filer	Smaller reporting company	Other
(Do not check if a smaller reporting company)		

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). (Check One)

Yes                      o                      No                      x

Shares Outstanding of Registrant's Common Stock	
Class	Outstanding at October 29, 2010
Common Stock, \$0.001 par value	186,824,448 shares

MICROCHIP TECHNOLOGY INCORPORATED AND SUBSIDIARIES

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## Item 1. Financial Statements

MICROCHIP TECHNOLOGY INCORPORATED AND SUBSIDIARIES  
 CONDENSED CONSOLIDATED BALANCE SHEETS  
 (in thousands, except share and per share amounts)  
 (unaudited)

## ASSETS

	September 30, 2010	March 31, 2010
Cash and cash equivalents	\$ 423,721	\$ 492,130
Short-term investments	955,047	722,193
Accounts receivable, net	202,754	137,806
Inventories	166,569	116,579
Prepaid expenses	20,061	13,068
Deferred tax assets	97,671	77,810
Assets held for sale	1,109	---
Other current assets	50,373	51,383
Total current assets	1,917,305	1,610,969
Property, plant and equipment, net	517,668	493,039
Long-term investments	190,152	317,215
Goodwill	49,355	40,338
Intangible assets, net	81,320	35,527
Other assets	52,570	19,225
Total assets	\$ 2,808,370	\$ 2,516,313

## LIABILITIES AND STOCKHOLDERS' EQUITY

Accounts payable	\$ 73,882	\$ 44,238
Accrued liabilities	103,976	60,211
Deferred income on shipments to distributors	132,282	98,941
Total current liabilities	310,140	203,390
Junior convertible debentures	344,085	340,672
Long-term income tax payable	100,527	57,140
Deferred tax liability	402,378	376,713
Other long-term liabilities	14,074	5,018
Stockholders' equity:		
Preferred stock, \$0.001 par value; authorized 5,000,000 shares; no shares issued or outstanding	---	---
Common stock, \$0.001 par value; authorized 450,000,000 shares; 218,789,994 shares issued and 186,822,616 shares outstanding at September 30, 2010; 218,789,994 shares	187	185

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issued and 185,329,144 shares outstanding at March 31, 2010		
Additional paid-in capital	1,272,037	1,276,822
Retained earnings	1,331,984	1,266,699
Accumulated other comprehensive income	1,790	3,032
Common stock held in treasury: 31,967,378 shares at September 30, 2010; 33,460,850 shares at March 31, 2010		
	(968,832)	(1,013,358)
Total stockholders' equity	1,637,166	1,533,380
Total liabilities and stockholders' equity		
	\$ 2,808,370	\$ 2,516,313
See accompanying notes to condensed consolidated financial statements		

MICROCHIP TECHNOLOGY INCORPORATED AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF INCOME  
(in thousands, except per share amounts)  
(Unaudited)

	Three Months Ended September 30,		Six Months Ended September 30,	
	2010	2009	2010	2009
Net sales	\$382,271	\$226,661	\$739,396	\$419,610
Cost of sales (1)	157,266	103,321	306,948	199,835
Gross profit	225,005	123,340	432,448	219,775
Operating expenses:				
Research and development (1)	43,720	29,568	84,250	57,204
Selling, general and administrative (1)	57,584	41,046	114,796	77,429
Special charges	558	---	1,033	1,238
	101,862	70,614	200,079	135,871
Operating income	123,143	52,726	232,369	83,904
Losses on equity method investments	(43 )	---	(95 )	---
Other income (expense):				
Interest income	4,070	4,479	8,416	7,781
Interest expense	(8,045 )	(8,030 )	(15,784 )	(15,549 )
Other, net	1,873	2,107	1,372	7,801
Income from continuing operations before income before taxes	120,998	51,282	226,278	83,937
Income tax provision	16,250	6,797	29,653	12,084
Net income from continuing operations	104,748	44,485	196,625	71,853
Discontinued operations:				
Loss from discontinued operations before income taxes	(1,756 )	---	(4,055 )	---
Income tax benefit	(88 )	---	(76 )	---
Net loss from discontinued operations	(1,668 )	---	(3,979 )	---
Net income	\$103,080	\$44,485	\$192,646	\$71,853
Basic net income per common share – continuing operations	\$0.56	\$0.24	\$1.06	\$0.39
Basic net loss per common share – discontinued operations	(0.01 )	---	(0.02 )	---
Basic net income per common share	\$0.55	\$0.24	\$1.04	\$0.39
Diluted net income per common share – continuing operations	\$0.55	\$0.24	\$1.03	\$0.39
Diluted net loss per common share – discontinued operations	(0.01 )	---	(0.02 )	---
Diluted net income per common share	\$0.54	\$0.24	\$1.01	\$0.39
Dividends declared per common share	\$0.343	\$0.339	\$0.685	\$0.678
Basic common shares outstanding	186,303	183,190	185,922	183,023
Diluted common shares outstanding	190,704	186,922	190,388	186,224
(1) Includes share-based compensation expense as follows:				
Cost of sales	\$1,743	\$1,869	\$3,708	\$3,579
Research and development	3,025	3,108	6,192	6,097

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Selling, general and administrative	4,157	4,523	8,476	8,822
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See accompanying notes to condensed consolidated financial statements



MICROCHIP TECHNOLOGY INCORPORATED AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
(in thousands)  
(Unaudited)

	Six months ended September 30,	
	2010	2009
Cash flows from operating activities:		
Net income	\$192,646	\$71,853
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	52,976	45,298
Deferred income taxes	13,294	6,261
Share-based compensation expense related to equity incentive plans	18,376	18,498
Excess tax benefit from share-based compensation	---	(709 )
Convertible debt derivatives - revaluation and amortization	57	152