

INPHI Corp  
Form 10-Q  
May 09, 2012  
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**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 March 31, 2012

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

77-0557980  
(I.R.S. Employer

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Incorporation or Organization)

Identification No.)

3945 Freedom Circle, Suite 1100,

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 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 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 May 2, 2012 was 28,307,247.

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**QUARTERLY REPORT ON FORM 10-Q**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2012**  
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**Table of Contents****PART I. FINANCIAL INFORMATION****Item 1. Financial Statements****INPHI CORPORATION****UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS**

(in thousands, except share and per share amounts)

	March 31, 2012	December 31, 2011
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 29,366	\$ 29,696
Investments in marketable securities	90,421	89,283
Accounts receivable, net	10,444	9,358
Inventories	6,358	5,716
Deferred tax assets	1,463	1,463
Income tax receivable	3,460	2,103
Prepaid expenses and other current assets	2,829	2,466
Total current assets	144,341	140,085
Property and equipment, net	10,010	9,566
Goodwill	5,875	5,875
Deferred tax assets	9,922	10,673
Deferred tax charge	7,116	6,101
Other assets, net	766	328
Total assets	\$ 178,030	\$ 172,628
<b>Liabilities and Stockholders Equity</b>		
Current liabilities:		
Accounts payable	\$ 5,809	\$ 5,016
Deferred revenue	2,265	1,929
Accrued employee expenses	2,057	1,703
Other accrued expenses	3,267	2,042
Total current liabilities	13,398	10,690
Other long-term liabilities	2,641	3,534
Total liabilities	16,039	14,224
Commitments and contingencies (Note 13)		
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; 28,264,669 and 27,882,223 issued and outstanding at March 31, 2012 and December 31, 2011, respectively	28	28
Additional paid-in capital	195,187	190,314
Accumulated deficit	(34,225)	(32,713)

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Accumulated other comprehensive income	1,001	775
Total stockholders' equity	161,991	158,404
Total liabilities and stockholders' equity	\$ 178,030	\$ 172,628

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**

(in thousands, except share and per share amounts)

	Three Months Ended March 31,	
	2012	2011
Revenue	\$ 20,201	\$ 21,504
Cost of revenue	7,424	7,387
Gross profit	12,777	14,117
Operating expense:		
Research and development	8,662	6,369
Sales and marketing	3,523	2,581
General and administrative	3,612	2,042
Total operating expense	15,797	10,992
Income (loss) from operations	(3,020)	3,125
Other income	238	41
Income (loss) before income taxes	(2,782)	3,166
Provision (benefit) for income taxes	(1,270)	766
Net income (loss)	\$ (1,512)	\$ 2,400
Earnings per share:		
Basic	\$ (0.05)	\$ 0.09
Diluted	\$ (0.05)	\$ 0.08
Weighted-average shares used in computing earnings per share:		
Basic	28,038,650	25,250,497
Diluted	28,038,650	29,290,541

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

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**INPHI CORPORATION**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

**(in thousands)**

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2012</b>	<b>2011</b>
Net income (loss)	\$ (1,512)	\$ 2,400
Other comprehensive income (loss):		
Foreign currency translation adjustment		(122)
Unrealized gain (loss) on investments, net of tax	226	
<b>Comprehensive income (loss)</b>	<b>\$ (1,286)</b>	<b>\$ 2,278</b>

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>Three Months Ended March 31,</b>	
	<b>2012</b>	<b>2011</b>
<b>Cash flows from operating activities</b>		
Net income (loss)	\$ (1,512)	\$ 2,400
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	839	768
Stock-based compensation	2,617	628
Deferred income taxes	911	
Excess tax benefit related to stock-based compensation	(1,372)	
Other noncash items	287	2
Changes in assets and liabilities:		
Accounts receivable	(1,086)	(236)
Inventories	(642)	454
Prepaid expenses and other assets	(646)	(522)
Income tax payable/receivable	(2,174)	749
Accounts payable	1,069	(539)
Accrued expenses	1,579	44
Deferred revenue	336	(496)
Other liabilities	(109)	(144)
Net cash provided by operating activities	97	3,108
<b>Cash flows from investing activities</b>		
Purchases of property and equipment	(1,784)	(1,439)
Purchases of marketable securities	(9,319)	
Sales and maturities of marketable securities	8,335	
Net cash used in investing activities	(2,768)	(1,439)
<b>Cash flows from financing activities</b>		
Proceeds from exercise of stock options and warrants	1,025	373
Excess tax benefit related to stock-based compensation	1,372	
Minimum tax withholding paid on behalf of employees for restricted stock units	(56)	
Costs paid in connection with the initial and secondary public offerings		(998)
Net cash provided by (used in) financing activities	2,341	(625)
Effect of currency exchange rates on cash and cash equivalents		(8)
Net increase (decrease) in cash and cash equivalents	(330)	1,036
Cash and cash equivalents at beginning of period	29,696	110,172
Cash and cash equivalents at end of period	\$ 29,366	\$ 111,208

Noncash investing activity



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Unrealized gain on investments, net of tax	\$ 226	\$
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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 semiconductor solutions for the communications and computing 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 computing 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, datacenter and enterprise servers, storage platforms, test and measurement equipment and military systems.

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 with the instructions to Securities and Exchange Commission (SEC), Form 10-Q and Article 10 of SEC Regulation S-X. They do not include all of the information and footnotes required by GAAP for complete financial statements. Therefore, these financial statements should be read in conjunction with the Company's audited consolidated financial statements and notes thereto for the year ended December 31, 2011, included in the Company's Annual Report on Form 10-K filed with the SEC on March 15, 2012.

The interim condensed consolidated financial statements included herein are unaudited; however, they contain all normal recurring accruals and adjustments that, in the opinion of management, are necessary to state fairly the Company's consolidated financial position at March 31, 2012, and its consolidated results of operations and cash flows for the three months ended March 31, 2012 and 2011. The results of operations for the three months ended March 31, 2012 are not necessarily indicative of the results to be expected for future quarters or the full year.

**2. Recent Accounting Pronouncements**

In May 2011, Financial Accounting Standards Board (FASB) issued an amendment to its accounting guidance on fair value measurement. The amendments provide a consistent definition of fair value and ensure that the fair value measurement and disclosure requirements are similar between GAAP and International Financial Reporting Standards. The amendments change certain fair value measurement principles and enhance the disclosure requirements about fair value measurements. This guidance is effective during interim and annual periods beginning after December 15, 2011 and are applied prospectively. The adoption of this guidance had no impact on the Company's consolidated financial statements.

In June 2011, FASB issued an amendment to its accounting guidance on comprehensive income. The amendments require an entity to present the total of comprehensive income, the components of net income and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. The amendments eliminate the option to present the components of other comprehensive income as part of the statement of equity. This guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. The Company now presents the components of comprehensive income as a separate statement. In December 2011, the FASB issued amendments to defer the presentation on the face of the financial statements the reclassification adjustments out of accumulated other comprehensive income on the components of net income and other comprehensive income for all periods presented.

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**Inphi Corporation**

**Notes to Unaudited Condensed Consolidated Financial Statements**

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