

MICROCHIP TECHNOLOGY INC

Form 10-Q

August 09, 2016

Table of Contents

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 June 30, 2016.

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 86-0629024
(State or Other Jurisdiction of Incorporation or Organization) (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 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

Edgar Filing: MICROCHIP TECHNOLOGY INC - Form 10-Q

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:

Large accelerated filer Accelerated filer

Non-accelerated filer Smaller reporting company

(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 No

Shares Outstanding of Registrant's Common Stock

Class	Outstanding at July 31, 2016
-------	------------------------------

Common Stock, \$0.001 par value	215,288,443 shares
---------------------------------	--------------------

MICROCHIP TECHNOLOGY INCORPORATED AND SUBSIDIARIES

INDEX

	Page
PART I. FINANCIAL INFORMATION	
<u>Item 1. Financial Statements (Unaudited)</u>	
<u>Condensed Consolidated Balance Sheets – June 30, 2016 and March 31, 2016</u>	<u>3</u>
<u>Condensed Consolidated Statements of Operations - Three Months Ended June 30, 2016 and 2015</u>	<u>4</u>
<u>Condensed Consolidated Statements of Comprehensive (Loss) Income - Three Months Ended June 30, 2016 and 2015</u>	<u>5</u>
<u>Condensed Consolidated Statements of Cash Flows – Three Months Ended June 30, 2016 and 2015</u>	<u>6</u>
<u>Notes to Condensed Consolidated Financial Statements</u>	<u>7</u>
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>28</u>
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	<u>44</u>
<u>Item 4. Controls and Procedures</u>	<u>44</u>
PART II. OTHER INFORMATION	
<u>Item 1. Legal Proceedings</u>	<u>45</u>
<u>Item 1A. Risk Factors</u>	<u>45</u>
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>58</u>
<u>Item 6. Exhibits</u>	<u>59</u>
<u>SIGNATURES</u>	
CERTIFICATIONS	
EXHIBITS	

Table of Contents

MICROCHIP TECHNOLOGY INCORPORATED AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands, except share and per share amounts)

(unaudited)

Item 1. Financial Statements

ASSETS	June 30, 2016	March 31, 2016
Cash and cash equivalents	\$600,526	\$2,092,751
Short-term investments	1,266	353,284
Accounts receivable, net	435,511	290,183
Inventories	518,431	306,815
Prepaid expenses	51,769	41,992
Assets held for sale	18,398	—
Other current assets	47,087	11,688
Total current assets	1,672,988	3,096,713
Property, plant and equipment, net	732,816	609,396
Long-term investments	—	118,549
Goodwill	2,390,955	1,012,652
Intangible assets, net	2,403,357	606,349
Long-term deferred tax assets	68,653	14,831
Other assets	89,987	79,393
Total assets	\$7,358,756	\$5,537,883
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable	\$137,614	\$79,312
Accrued liabilities	222,500	119,265
Deferred income on shipments to distributors	213,171	183,432
Total current liabilities	573,285	382,009
Long-term line of credit	1,913,745	1,043,156
Senior convertible debentures	1,227,444	1,216,313
Junior convertible debentures	195,315	193,936
Long-term income tax payable	290,742	111,061
Long-term deferred tax liability	468,563	399,218
Other long-term liabilities	157,113	41,271
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; 237,497,913 shares issued and 215,030,824 shares outstanding at June 30, 2016; 227,416,789 shares issued and 204,081,727 shares outstanding at March 31, 2016	215	204
Additional paid-in capital	1,901,460	1,391,553
Common stock held in treasury: 22,467,089 shares at June 30, 2016; 23,335,062 shares at March 31, 2016	(794,287)	(820,066)
Accumulated other comprehensive loss	(14,428)	(3,357)
Retained earnings	1,439,589	1,582,585
Total stockholders' equity	2,532,549	2,150,919
Total liabilities and stockholders' equity	\$7,358,756	\$5,537,883

See accompanying notes to condensed consolidated financial statements

3

Table of ContentsMICROCHIP TECHNOLOGY INCORPORATED AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share amounts)

(unaudited)

	Three Months Ended	
	June 30,	
	2016	2015
Net sales	\$799,411	\$533,952
Cost of sales (1)	450,921	224,935
Gross profit	348,490	309,017
Research and development (1)	147,883	84,680
Selling, general and administrative (1)	157,505	66,849
Amortization of acquired intangible assets	80,171	34,612
Special charges, net	22,035	1,557
Operating expenses	407,594	187,698
Operating (loss) income	(59,104)	121,319
Losses on equity method investments	(56)	(177)
Other income (expense):		
Interest income	819	5,528
Interest expense	(34,416)	(24,052)
Other income, net	2,010	16,947
(Loss) income before income taxes	(90,747)	119,565
Income tax provision (benefit)	18,478	(10,895)
Net (loss) income from continuing operations	(109,225)	130,460
Discontinued operations:		