

MACOM Technology Solutions Holdings, Inc.  
Form 10-Q  
August 01, 2018

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 29, 2018

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: 001-35451

MACOM Technology Solutions Holdings, Inc.  
(Exact name of registrant as specified in its charter)

Delaware 27-0306875  
(State or other jurisdiction of (I.R.S. Employer  
incorporation or organization) Identification No.)  
100 Chelmsford Street  
Lowell, MA 01851  
(Address of principal executive offices and zip code)  
(978) 656-2500  
(Registrant's telephone number, including area code)

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 Website, 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," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

As of July 27, 2018, there were 65,162,822 shares of the registrant's common stock outstanding.

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## PART I—FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

## MACOM TECHNOLOGY SOLUTIONS HOLDINGS, INC.

## CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands)

(Unaudited)

|  | June 29,<br>2018   | September 29,<br>2017 |
|--|--------------------|-----------------------|
| <b>ASSETS</b>  |                    |                       |
| Current assets:  |                    |                       |
| Cash and cash equivalents  | \$85,268           | \$ 130,104            |
| Short-term investments   | 97,723             | 84,121                |
| Accounts receivable (less allowances of \$7,643 and \$9,410, respectively) | 101,285            | 136,096               |
| Inventories  | 122,866            | 136,074               |
| Income tax receivable  | 19,945             | 18,493                |
| Assets held for sale   | 4,971              | 35,571                |
| Prepaid and other current assets   | 22,335             | 22,438                |
| Total current assets   | \$454,393          | \$ 562,897            |
| Property and equipment, net  | 139,415            | 131,019               |
| Goodwill   | 314,401            | 313,765               |
| Intangible assets, net   | 533,876            | 621,092               |
| Deferred income taxes  | 1,662              | 948                   |
| Other investments  | 34,259             | —                     |
| Other long-term assets   | 7,709              | 7,402                 |
| <b>TOTAL ASSETS</b>  | <b>\$1,485,715</b> | <b>\$ 1,637,123</b>   |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>                                |                    |                       |
| Current liabilities:   |                    |                       |
| Current portion of lease payable   | \$499              | \$ 815                |
| Current portion of long-term debt  | 6,885              | 6,885                 |
| Accounts payable   | 29,370             | 47,038                |
| Accrued liabilities  | 46,446             | 58,243                |
| Liabilities held for sale  | —                  | 2,144                 |
| Deferred revenue   | 8,279              | 1,994                 |
| Total current liabilities  | \$91,479           | \$ 117,119            |
| Lease payable, less current portion  | 26,658             | 17,275                |
| Long-term debt, less current portion                                       | 659,146            | 661,471               |
| Warrant liability  | 15,880             | 40,775                |
| Deferred income taxes  | 7,791              | 15,172                |
| Other long-term liabilities  | 5,724              | 7,937                 |
| Total liabilities  | \$806,678          | \$ 859,749            |
| Stockholders' equity:  |                    |                       |
| Common stock   | 65                 | 64                    |
| Treasury stock, at cost  | (330               | ) (330                |
| Accumulated other comprehensive income                                     | 3,757              | 2,977                 |
| Additional paid-in capital   | 1,067,028          | 1,041,644             |
| Accumulated deficit  | (391,483           | ) (266,981            |
| Total stockholders' equity   | \$679,037          | \$ 777,374            |
| <b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>                          | <b>\$1,485,715</b> | <b>\$ 1,637,123</b>   |

See notes to condensed consolidated financial statements.



MACOM TECHNOLOGY SOLUTIONS HOLDINGS, INC.  
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share data)

(Unaudited)

|                                     | Three Months Ended |                  | Nine Months Ended |                  |
|-------------------------------------|--------------------|------------------|-------------------|------------------|
|                                     | June 29,<br>2018   | June 30,<br>2017 | June 29,<br>2018  | June 30,<br>2017 |
| Revenue                             | \$ 137,872         | \$ 194,555       | \$ 419,210        | \$ 532,391       |
| Cost of revenue                     | 89,703             | 101,926          | 244,486           | 292,403          |
| Gross profit                        | 48,169             | 92,629           | 174,724           | 239,988          |
| Operating expenses:                 |                    |                  |                   |                  |
| Research and development            | 48,240             | 38,729           | 131,487           | 108,588          |
| Selling, general and administrative | 42,471             | 46,666           | 119,393           | 145,488          |
| Impairment charges                  | —                  | —                | 6,575             | —                |
| Restructuring charges               | 102                | 586              | 6,302             | 2,342            |
| Total operating expenses            | 90,813             | 85,981           | 263,757           | 256,418          |
| (Loss) income from operations       | (42,644 )          | 6,648            | (89,033 )         | (16,430 )        |
| Other (expense) income              |                    |                  |                   |                  |
| Warrant liability (expense) gain    | (6,728 )           | (9,085 )         | 24,895            | (16,481 )        |
| Interest expense, net               | (8,039 )           | (7,178 )         | (23,249 )         | (21,902 )        |
| Other expense                       | (37,281 )          | (1,139 )         | (41,413 )         | (2,042 )         |
| Total other expense, net            | (52,048 )          | (17,402 )        | (39,767 )         | (40,425 )        |
| Loss before income taxes            | (94,692 )          | (10,754 )        | (128,800 )        | (56,855 )        |
| Income tax (benefit) expense        | (9,482 )           | 3,223            | (11,153 )         | 93,559           |
| Loss from continuing operations     | (85,210 )          | (13,977 )        | (117,647 )        | (150,414 )       |
| Loss from discontinued operations   | (220 )             | (13,700 )        | (5,837 )          | (8,358 )         |
| Net loss                            | \$(85,430 )        | \$(27,677 )      | \$(123,484 )      | \$(158,772 )     |

Net loss per share:

Basic loss per share:

|                                   |           |           |           |           |
|-----------------------------------|-----------|-----------|-----------|-----------|
| Loss from continuing operations   | \$(1.31 ) | \$(0.22 ) | \$(1.82 ) | \$(2.53 ) |
| Loss from discontinued operations | 0.00      | (0.21 )   | (0.09 )   | (0.14 )   |
| Loss per share - basic            | \$(1.32 ) | \$(0.43 ) | \$(1.91 ) | \$(2.67 ) |

Diluted loss per share:

|                                   |           |           |           |           |
|-----------------------------------|-----------|-----------|-----------|-----------|
| Loss from continuing operations   | \$(1.31 ) | \$(0.22 ) | \$(2.19 ) | \$(2.53 ) |
| Loss from discontinued operations | 0.00      | (0.21 )   | (0.09 )   | (0.14 )   |
| Loss per share - diluted          | \$(1.32 ) | \$(0.43 ) | \$(2.28 ) | \$(2.67 ) |

Shares used:

|         |        |        |        |        |
|---------|--------|--------|--------|--------|
| Basic   | 64,920 | 64,019 | 64,598 | 59,524 |
| Diluted | 64,920 | 64,019 | 65,198 | 59,524 |

See notes to condensed consolidated financial statements.

MACOM TECHNOLOGY SOLUTIONS HOLDINGS, INC.  
 CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(In thousands)

(Unaudited)

|  | Three Months Ended |            | Nine Months Ended |             |
|--|--------------------|------------|-------------------|-------------|
|  | June 29,           | June 30,   | June 29,          | June 30,    |
|  | 2018               | 2017       | 2018              | 2017        |
| Net loss   | \$(85,430)         | \$(27,677) | \$(123,484)       | \$(158,772) |
| Unrealized gain (loss) on short-term investments, net of tax | 59                 | (77)       | (455)             | (71)        |
| Foreign currency translation (loss) gain, net of tax         | (3,475)            | (307)      | 1,235             | (6,358)     |
| Other comprehensive (loss) income, net of tax                | (3,416)            | (384)      | 780               | (6,429)     |
| Total comprehensive loss                                     | \$(88,846)         | \$(28,061) | \$(122,704)       | \$(165,201) |

See notes to condensed consolidated financial statements.

MACOM TECHNOLOGY SOLUTIONS HOLDINGS, INC.  
 CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY  
 (In thousands)  
 (Unaudited)

|  | Common Stock |        | Treasury Stock |         | Accumulated<br>Other<br>Comprehensive<br>Income | Additional<br>Paid-in<br>Capital | Accumulated<br>Deficit | Total<br>Stockholders'<br>Equity |
|--|--------------|--------|----------------|---------|---|----------------------------------|------------------------|----------------------------------|
|  | Shares       | Amount | Shares         | Amount  |   |                                  |                        |                                  |
| Balance at September 29, 2017  | 64,279       | \$ 64  | (23)           | \$(330) | \$ 2,977  | \$1,041,644                      | \$(266,981)            | \$ 777,374                       |
| Cumulative effect of ASU<br>2016-09  | —            | —      | —              | —       | —   | 1,018                            | (1,018)                | —                                |
| Stock options exercises  | 22           | —      | —              | —       | —   | 65                               | —                      | 65                               |
| Vesting of restricted common<br>stock and units                            | 883          | 1      | —              | —       | —   | —                                | —                      | 1                                |
| Issuance of common stock<br>pursuant to employee stock<br>purchase plan    | 305          | —      | —              | —       | —   | 6,879                            | —                      | 6,879                            |
| Shares repurchased for stock<br>withholdings on restricted stock<br>awards | (307)        | —      | —              | —       | —   | (6,673)                          | —                      | (6,673)                          |
| Share-based compensation   | —            | —      | —              | —       | —   | —                                | —                      | —                                |