

POWER INTEGRATIONS INC
Form 10-Q
November 07, 2011
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 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, 2011

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 0-23441

POWER INTEGRATIONS, INC.
(Exact name of registrant as specified in its charter)

DELAWARE (State or other jurisdiction of Incorporation or organization) 5245 Hellyer Avenue, San Jose, California, 95138 (Address of principal executive offices) (Zip code) (408) 414-9200 (Registrant's telephone number, including area code)	94-3065014 (I.R.S. Employer Identification No.)
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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 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:

Large accelerated filer <input checked="" type="checkbox"/>	Accelerated filer <input type="checkbox"/>
Non-accelerated filer <input type="checkbox"/>	Smaller reporting company <input type="checkbox"/>

(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). YES NO

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Shares Outstanding at October 21, 2011
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Common Stock, \$.001 par value

28,052,418

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Cautionary Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q includes a number of forward-looking statements that involve many risks and uncertainties. Forward-looking statements are identified by the use of the words “would”, “could”, “will”, “may”, “expect”, “believe”, “should”, “anticipate”, “outlook”, “if”, “future”, “intend”, “plan”, “estimate”, “predict”, “potential”, “targets”, “seek”, similar words and phrases, including the negatives of these terms, or other variations of these terms, that denote future events. These statements reflect our current views with respect to future events and our potential financial performance and are subject to risks and uncertainties that could cause our actual results and financial position to differ materially and adversely from what is projected or implied in any forward-looking statements included in this Form 10-Q. These factors include, but are not limited to, the risks described under Item 1A of Part II — “Risk Factors,” Item 2 of Part I — “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and elsewhere in this Quarterly Report on Form 10-Q, including: our ability to maintain and establish strategic relationships; the risks inherent in the development and delivery of complex technologies; our ability to attract, retain and motivate qualified personnel; the emergence of new markets for our products and services; our ability to compete in those markets based on timeliness, cost and market demand; and our ability to procure on reasonable terms an adequate and timely supply of our products from third party manufacturers. We make these forward-looking statements based upon information available on the date of this Form 10-Q, and we have no obligation (and expressly disclaim any such obligation) to update or alter any forward-looking statements, whether as a result of new information or otherwise except as otherwise required by securities regulations.

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PART I. FINANCIAL INFORMATION
 ITEM 1. FINANCIAL STATEMENTS
 POWER INTEGRATIONS, INC.
 CONDENSED CONSOLIDATED BALANCE SHEETS
 (unaudited)
 (In thousands)

	September 30, 2011	December 31, 2010
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$148,578	\$155,667
Short-term investments	48,932	27,355
Accounts receivable, net of allowances of \$202 and \$275 in 2011 and 2010, respectively (Note 2)	10,330	5,713
Inventories	51,763	62,077
Deferred tax assets	1,440	1,435
Prepaid expenses and other current assets	6,864	9,263
Total current assets	267,907	261,510
INVESTMENTS	25,022	31,760
PROPERTY AND EQUIPMENT, net	85,271	84,470
INTANGIBLE ASSETS, net	9,066	9,795
GOODWILL	14,786	14,826
DEFERRED TAX ASSETS	12,637	13,421
OTHER ASSETS	25,799	17,288
Total assets	\$440,488	\$433,070
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$17,318	\$20,291
Accrued payroll and related expenses	6,290	7,395
Taxes payable	1,759	—
Deferred income on sales to distributors	10,316	12,221
Other accrued liabilities	2,613	9,548
Total current liabilities	38,296	49,455
LONG-TERM INCOME TAXES PAYABLE	33,805	29,580
Total liabilities	72,101	79,035
COMMITMENTS AND CONTINGENCIES (Notes 9, 11 and 12)		
STOCKHOLDERS' EQUITY:		
Common stock	28	28
Additional paid-in capital	166,007	175,295
Accumulated other comprehensive income	80	85
Retained earnings	202,272	178,627
Total stockholders' equity	368,387	354,035
Total liabilities and stockholders' equity	\$440,488	\$433,070

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

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POWER INTEGRATIONS, INC.
 CONDENSED CONSOLIDATED STATEMENTS OF INCOME
 (unaudited)
 (In thousands, except per share amounts)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2011	2010	2011	2010
NET REVENUES	\$75,063	\$75,452	\$232,009	\$226,817
COST OF REVENUES	40,020	36,447	122,917	110,402
GROSS PROFIT	35,043	39,005	109,092	116,415
OPERATING EXPENSES:				
Research and development	10,345	9,348	30,563	26,133
Sales and marketing	7,990	7,657	24,342	22,104
General and administrative	6,145	6,746	18,761	19,223
Total operating expenses	24,480	23,751	73,666	67,460