

MAXIM INTEGRATED PRODUCTS INC
Form 10-Q
October 23, 2015

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 September 26, 2015
- 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 1-34192

MAXIM INTEGRATED PRODUCTS, INC.
(Exact name of Registrant as Specified in its Charter)
Delaware
(State or Other Jurisdiction of Incorporation or Organization)

94-2896096
(I.R.S. Employer I. D. No.)

160 Rio Robles
San Jose, California 95134
(Address of Principal Executive Offices including Zip Code)

(408) 601-1000
(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 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 definitions of "large accelerated filer," "accelerated filer" and "smaller" reporting company in Rule 12b-2 of the Exchange Act. (Check one):

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).
(Check one):
YES NO

As of October 16, 2015 there were 284,220,113 shares of Common Stock, par value \$.001 per share, of the registrant outstanding.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS (UNAUDITED)

MAXIM INTEGRATED PRODUCTS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	September 26, 2015 (in thousands)	June 27, 2015
ASSETS		
Current assets:		
Cash and cash equivalents	\$1,508,347	\$1,550,965
Short-term investments	100,285	75,154
Total cash, cash equivalents and short-term investments	1,608,632	1,626,119
Accounts receivable, net	282,471	278,844
Inventories	290,712	288,474
Deferred tax assets	50,604	77,306
Other current assets	46,627	49,838
Total current assets	2,279,046	2,320,581
Property, plant and equipment, net	805,580	1,090,739
Intangible assets, net	241,423	261,652
Goodwill	511,647	511,647
Other assets	107,190	43,765
TOTAL ASSETS	\$3,944,886	\$4,228,384
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$80,752	\$88,322
Income taxes payable	59,479	34,779
Accrued salary and related expenses	120,642	181,360
Accrued expenses	49,990	48,389
Deferred revenue on shipments to distributors	35,091	30,327
Total current liabilities	345,954	383,177
Long-term debt	1,000,000	1,000,000
Income taxes payable	419,805	410,378
Deferred tax liabilities	10,602	90,588
Other liabilities	53,724	54,221
Total liabilities	1,830,085	1,938,364
Commitments and contingencies (Note 11)		
Stockholders' equity:		
Common stock and capital in excess of par value	10,819	28,142
Retained earnings	2,121,582	2,279,112
Accumulated other comprehensive loss	(17,600	) (17,234
Total stockholders' equity	2,114,801	2,290,020
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	\$3,944,886	\$4,228,384

See accompanying Notes to Condensed Consolidated Financial Statements.

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MAXIM INTEGRATED PRODUCTS, INC.
 CONDENSED CONSOLIDATED STATEMENTS OF INCOME
 (Unaudited)

	Three Months Ended	
	September 26, 2015	September 27, 2014
	(in thousands, except per share data)	
Net revenues	\$562,510	\$580,275
Cost of goods sold	276,159	241,454
Gross margin	286,351	338,821
Operating expenses:		
Research and development	121,392	140,362
Selling, general and administrative	71,995	79,989
Intangible asset amortization	3,591	4,327
Impairment of long-lived assets	157,697	10,226
Severance and restructuring expenses	7,126	1,385
Other operating expenses (income), net	315	1,574
Total operating expenses	362,116	237,863
Operating income (loss)	(75,765	) 100,958
Interest and other income (expense), net	(6,402	) (6,477
Income (loss) before provision for income taxes	(82,167	) 94,481
Income tax provision (benefit)	(10,024	) (5,499
Net income (loss)	\$(72,143	) \$99,980
Earnings (loss) per share:		
Basic	\$(0.25	) \$0.35
Diluted	\$(0.25	) \$0.35
Shares used in the calculation of earnings (loss) per share:		
Basic	284,588	284,086
Diluted	284,588	289,430
Dividends declared and paid per share	\$0.30	\$0.28

See accompanying Notes to Condensed Consolidated Financial Statements.

MAXIM INTEGRATED PRODUCTS, INC.
 CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
 (Unaudited)

	Three Months Ended	
	September 26, 2015	September 27, 2014
	(in thousands)	
Net income (loss)	\$ (72,143	) \$99,980
Other comprehensive income (loss), net of tax:		
Change in net unrealized gains and losses on available-for-sale securities, net of tax benefit (expense) of \$0 and \$0, respectively	76	(25)
Change in net unrealized gains and losses on cash flow hedges, net of tax benefit (expense) of \$192 and \$470, respectively	(614	) (1,575)
Change in net unrealized gains and losses on post-retirement benefits, net of tax benefit (expense) of \$(80) and \$(121), respectively	172	239
Tax effect of the unrealized exchange gains and losses on long-term intercompany receivables	—	(540)
Other comprehensive income (loss), net	(366	) (1,901)
Total comprehensive income (loss)	\$ (72,509	) \$98,079

See accompanying Notes to Condensed Consolidated Financial Statements.

MAXIM INTEGRATED PRODUCTS, INC.
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
 (Unaudited)

	Three Months Ended	
	September 26, 2015	September 27, 2014
	(in thousands)	
Cash flows from operating activities:		
Net income (loss)	\$(72,143	) \$99,980
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Stock-based compensation	16,963	22,420
Depreciation and amortization	102,053	63,693
Deferred taxes	(53,111	) 6,207
Loss (gain) from sale of property, plant and equipment	(1,346	) 244
Tax benefit (shortfall) related to stock-based compensation	1,193	1,610
Impairment of long-lived assets	157,697	10,226
Excess tax benefit from stock-based compensation	(2,249	) (2,249
Changes in assets and liabilities:		
Accounts receivable	(3,627	) 13,896
Inventories	(2,167	) (15,650
Other current assets	4,796	(24,974
Accounts payable	(9,776	) 4,455
Income taxes payable	34,127	(12,289
Deferred revenue on shipments to distributors	4,764	1,087
All other accrued liabilities	(59,835	) (51,659
Net cash provided by (used in) operating activities	117,339	116,997
Cash flows from investing activities:		
Purchase of property, plant and equipment	(15,821	) (31,686
Proceeds from sale of property, plant and equipment	606	212
Purchases of available-for-sale securities	(25,055	) (25,142
Purchases of privately-held companies securities	(1,000) —
Net cash provided by (used in) investing activities	(41,270	) (56,616
Cash flows from financing activities:		
Excess tax benefit from stock-based compensation	2,249	2,249
Repayment of notes payable	—	(437
Net issuance of restricted stock units	(4,822	) (8,038
Proceeds from stock options exercised	8,970	9,704
Repurchase of common stock	(39,697	) (62,685
Dividends paid	(85,387	) (79,763
Net cash provided by (used in) financing activities	(118,687	) (138,970
Net increase (decrease) in cash and cash equivalents	(42,618	) (78,589
Cash and cash equivalents:		
Beginning of period	1,550,965	1,322,472
End of period	\$1,508,347	\$1,243,883
Supplemental disclosures of cash flow information:		
Cash paid net during the period for income taxes	\$7,021	\$8,581
Cash paid for interest	\$8,438	\$8,452
Noncash financing and investing activities:		

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Accounts payable related to property, plant and equipment purchases	\$7,127	\$4,290
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See accompanying Notes to Condensed Consolidated Financial Statements.

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MAXIM INTEGRATED PRODUCTS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

NOTE 1: BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements of Maxim Integrated Products, Inc. and all of its majority-owned subsidiaries (collectively, the “Company” or “Maxim Integrated”) included herein have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission (the “SEC”). Certain information and footnote disclosures normally included in consolidated financial statements prepared in accordance with generally accepted accounting principles of the United States of America (“GAAP”) have been condensed or omitted pursuant to applicable rules and regulations. In the opinion of management, all adjustments of a normal recurring nature which were considered necessary for fair presentation have been included. The year-end condensed consolidated balance sheet data were derived from audited consolidated financial statements but do not include all disclosures required by GAAP. The results of operations for the three months ended September 26, 2015 are not necessarily indicative of the results to be expected for the entire year. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto included in the Annual Report on Form 10-K for the fiscal year ended June 27, 2015.

The Company has a 52-to-53-week fiscal year that ends on the last Saturday in June. Accordingly, every fifth or sixth fiscal year will be a 53-week fiscal year. Fiscal year 2015 was a 52-week fiscal year and fiscal year 2016 will also be a 52-week fiscal year.

NOTE 2: RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

(i) New Accounting Updates Recently Adopted

In April 2014, the FASB issued ASU No. 2014-08, Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity. ASU No. 2014-08 redefines discontinued operations as disposals representing a strategic shift in operations and having a major effect on the organization’s operations and financial results. The Company early adopted this accounting standard update in the fourth quarter of fiscal year 2015.

(ii) Recent Accounting Updates Not Yet Effective

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606). ASU No. 2014-09 uses a five-step model to determine revenue recognition in contracts with customers. The Company is currently evaluating the potential impact of this standard on its financial statements. ASU No. 2014-09 is effective for the Company in the first quarter of fiscal year 2019 using either of two methods: (i) retrospective to each prior reporting period presented with the option to elect certain practical expedients as defined within ASU No. 2014-09; or (ii) retrospective with the cumulative effect of initially applying ASU No. 2014-09 recognized at the date of initial application and providing certain additional disclosures as defined per ASU No. 2014-09. Early adoption in the first quarter of fiscal year 2018 is permitted.

In April 2015, the FASB issued ASU No. 2015-03, Interest - Imputation of Interest. ASU No. 2015-03 changes the presentation of debt issuance costs in financial statements. Under the new guidance, an entity presents such costs in the balance sheet as a direct deduction from the related debt liability rather than as an asset. Amortization of the costs is reported as interest expense. This guidance is effective beginning in the first quarter of our fiscal year 2017 and early adoption is permitted in an interim period with any adjustments reflected as of the beginning of the fiscal year that includes that interim period. The guidance is not expected to have a significant impact to its consolidated financial statements.

In July 2015, the FASB issued ASU No. 2015-11, Inventory (Topic 330): Simplifying the Measurement of Inventory, which changes the measurement principle for inventory from the lower of cost or market to the lower of cost and net realizable value. ASU No. 2015-11 defines net realizable value as estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. The new guidance must be applied on a prospective basis and is effective for the Company in our first quarter of fiscal year 2017, with early adoption permitted. The Company does not believe the implementation of this standard will result in a material impact to its consolidated financial statements.

NOTE 3: BALANCE SHEET COMPONENTS

Accounts receivable, net consists of:

	September 26, 2015	June 27, 2015	
Accounts Receivable:	(in thousands)		
Accounts receivable	\$ 301,482	\$ 297,130	
Returns and allowances	(19,011	) (18,286)
	\$ 282,471	\$ 278,844	

Inventories consist of:

	September 26, 2015	June 27, 2015
Inventories:	(in thousands)	
Raw materials	\$ 12,697	\$ 12,932
Work-in-process	204,071	199,716
Finished goods	73,944	75,826
	\$ 290,712	\$ 288,474

Property, plant and equipment, net consists of:

	September 26, 2015	June 27, 2015	
Property, plant and equipment:	(in thousands)		
Land	\$ 24,631	\$ 45,040	
Buildings and building improvements	267,176	338,394	
Machinery and equipment	1,458,262	1,970,819	
	1,750,069	2,354,253	
Less: accumulated depreciation and amortization	(944,489	) (1,263,514)
	\$ 805,580	\$ 1,090,739	

Other assets consist of:

	September 26, 2015	June 27, 2015
Other assets:	(in thousands)	
Assets held for sale	\$ 71,134	