

MAXIM INTEGRATED PRODUCTS INC

Form 10-Q

September 30, 2008

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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 29, 2008

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 NO. 0-16538

MAXIM INTEGRATED PRODUCTS, INC.

(Exact name of Registrant as specified in its charter)

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DELAWARE
(State or Other Jurisdiction of
Incorporation or Organization)

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

120 SAN GABRIEL DRIVE,

SUNNYVALE, CALIFORNIA
(Address of Principal Executive Offices)

94086
(Zip Code)

Registrant's telephone number, including area code:

(408) 737-7600

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Sections 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 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 Rule 12b-2 of the Exchange Act). **Yes** **No**

Class: Common Stock,
\$0.001 par value

Outstanding at September 1, 2008
320,553,460 shares

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Table of Contents**PART I. FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS (Unaudited)****MAXIM INTEGRATED PRODUCTS, INC.****CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)**

	March 29, 2008	June 30, 2007
	(in thousands)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,189,051	\$ 577,068
Short-term investments		722,286
Total cash, cash equivalents and short-term investments	1,189,051	1,299,354
Accounts receivable, net	269,292	244,998
Inventories	264,075	262,713
Deferred tax assets	241,114	247,953
Other current assets	45,696	15,555
Total current assets	2,009,228	2,070,573
Property, plant and equipment, net	1,497,461	1,431,273
Other assets	167,329	104,938
TOTAL ASSETS	\$ 3,674,018	\$ 3,606,784
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	\$ 77,499	\$ 93,773
Income taxes payable	4,002	70,302
Accrued salary and related expenses	249,533	195,494
Accrued expenses	75,751	71,694
Deferred income on shipments to distributors	19,791	23,641
Total current liabilities	426,576	454,904
Other liabilities	31,427	19,946
Income taxes payable	101,945	
Total liabilities	559,948	474,850
Commitments and contingencies (Note 11)		
Stockholders' equity:		
Preferred stock		
Common stock	321	321
Additional paid-in capital	226,731	292,603
Retained earnings	2,895,196	2,847,281
Accumulated other comprehensive loss	(8,178)	(8,271)

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Total stockholders' equity	3,114,070	3,131,934
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	\$ 3,674,018	\$ 3,606,784

See accompanying Notes to Condensed Consolidated Financial Statements.

Table of Contents**MAXIM INTEGRATED PRODUCTS, INC.****CONDENSED CONSOLIDATED STATEMENTS OF INCOME (Unaudited)**

	Three Months Ended		Nine Months Ended	
	March 29, 2008	March 24, 2007	March 29, 2008	March 24, 2007
	(Amounts in thousands, except per share data)			
Net revenues	\$ 487,410	\$ 476,556	\$ 1,551,516	\$ 1,476,754
Cost of goods sold	202,614	190,286	613,538	583,243
Gross margin	284,796	286,270	937,978	893,511
Operating expenses:				
Research and development	143,289	159,434	432,701	511,015
Selling, general and administrative	60,449	40,567	174,103	153,251
Total operating expenses	203,738	200,001	606,804	664,266
Operating income	81,058	86,269	331,174	229,245
Interest income and other, net	11,615	15,062	50,895	43,218
Income before provision for income taxes	92,673	101,331	382,069	272,463
Provision for income taxes	31,641	25,263	130,391	78,489
Net income	\$ 61,032	\$ 76,068	\$ 251,678	\$ 193,974
Earnings per share:				
Basic	\$ 0.19	\$ 0.24	\$ 0.79	\$ 0.61
Diluted	\$ 0.19	\$ 0.23	\$ 0.77	\$ 0.59
Shares used in the calculation of earnings per share:				
Basic	320,553	320,553	320,553	320,395
Diluted	322,480	330,365	327,000	329,575
Dividends declared per share	\$ 0.19	\$ 0.16	\$ 0.56	\$ 0.47

See accompanying Notes to Condensed Consolidated Financial Statements.

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	Nine Months Ended	
	March 29, 2008	March 24, 2007
	(in thousands)	
Cash flows from operating activities:		
Net income	\$ 251,678	\$ 193,974
Adjustments to reconcile net income to net cash provided by operating activities:		
Stock-based compensation	150,058	296,264
Depreciation and amortization	111,176	77,501
Deferred taxes	6,325	(76,009)
Gain from sale of PP&E	(9,827)	
Tax benefit related to stock-based compensation	(4,672)	14,493
Excess tax benefit related to stock-based compensation	(479)	(8,149)
Changes in assets and liabilities:		
Accounts receivable	(24,294)	46,582
Inventories	(3,735)	(40,310)
Other current assets	(14,591)	833
Accounts payable	(14,676)	(10,735)
Income tax payable	(10,018)	(41,253)
Deferred income on shipments to distributors	(3,850)	2,685
Accrued liabilities - goodwill payments above settlement date fair value	(27,085)	
Other accrued liabilities	(9,148)	(6,635)
Net cash provided by operating activities	396,862	449,241
Cash flows from investing activities:		
Additions to property, plant and equipment	(179,623)	(258,422)
Proceeds from sale of property, plant and equipment	15,635	
Restricted cash	(14,309)	
Other non-current assets	9,820	(16,121)
Acquisition	(64,123)	
Purchases of available-for-sale securities	(111,847)	(769,531)
Proceeds from sales/maturities of available-for-sale securities	835,764	757,675
Net cash provided by (used in) investing activities	491,317	(286,399)
Cash flows from financing activities:		
Excess tax benefit related to stock-based compensation	479	8,149
Payments on mortgage liability	(30)	
Settlement date fair value of goodwill payments	(72,604)	
Cash settlement of vested restricted stock units	(3,167)	(4,181)
Payouts under the RSU loan program	(20,563)	(20,865)
Issuance of common stock		25,674
Repurchase of common stock		(60,767)
Dividends paid	(180,311)	(150,124)
Net cash used in financing activities	(276,196)	(202,114)
Net increase (decrease) in cash and cash equivalents	611,983	(39,272)
Cash and cash equivalents:		

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Beginning of period	577,068	422,333
End of period	\$ 1,189,051	\$ 383,061
Supplemental disclosures of cash flow information:		
Cash paid, net during the year for income taxes	\$ 152,874	\$ 179,776
Noncash investing and financing activities:		
Accounts payable related to property, plant and equipment purchases	\$ 20,112	\$ 47,181

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 interim consolidated financial statements of Maxim Integrated Products, Inc. and all majority-owned subsidiaries (collectively, the Company or Maxim) 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 financial statements prepared in accordance with generally accepted accounting principles of the United States of America (GAAP) have been condensed or omitted pursuant to such rules and regulations. In the opinion of management, all adjustments (consisting of normal recurring items) considered necessary for fair presentation have been included. The year-end condensed balance sheet data was derived from audited financial statements but does not include all disclosures required by GAAP. The results of operations for the three and nine months ended March 29, 2008 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 30, 2007.

The Company has a 52-to-53-week fiscal year that ends on the last Saturday in June. Accordingly, every sixth or seventh fiscal year will be a 53-week fiscal year. Fiscal year 2008 is a 52-week fiscal year.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

The accounting policy below represents an addition to the Company s significant accounting policies as disclosed in its Annual Report on Form 10-K for the year ended June 30, 2007.

Intangible Assets and Goodwill

The Company accounts for intangible assets, in accordance with Statement of Financial Accounting Standards (SFAS) No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets* (SFAS 144), which requires impairment losses to be recorded on intangible assets used in operations when indicators of impairment, such as reductions in demand or significant economic slowdowns in the semiconductor industry, are present. Reviews are performed to determine whether the carrying value of an asset is impaired, based on comparisons to undiscounted expected future cash flows. If this comparison indicates that there is impairment, the impaired asset is written down to fair value, which is typically calculated using: (i) quoted market prices or (ii) discounted expected future cash flows utilizing a discount rate consistent with the guidance provided in Financial Accounting Standards Board (FASB) Concepts Statement No. 7, *Using Cash Flow Information and Present Value in Accounting Measurements* (Concepts Statement 7). Impairment is based on the excess of the carrying amount over the fair value of those assets.

Goodwill is recorded as the difference, if any, between the aggregate consideration paid for an acquisition and the fair value of the net tangible and intangible assets acquired. In accordance with SFAS No. 142, *Goodwill and Other Intangible Assets* (SFAS 142), the Company tests goodwill for impairment at the reporting unit level (operating segment or one level below an operating segment) on an annual basis in the fourth quarter or more frequently if the Company believes indicators of impairment exist. The performance of the test involves a two-step process. The first step of the impairment test involves comparing the fair values of the applicable reporting units with their aggregate carrying values, including goodwill. The Company generally determines the fair value of its reporting units using the income approach methodology of valuation that includes the discounted cash flow method as well as other generally accepted valuation methodology.