

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 December 23, 2006

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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MAXIM INTEGRATED PRODUCTS, INC.

EXPLANATORY NOTE REGARDING RESTATEMENT

In this quarterly report on Form 10-Q, we are restating our condensed consolidated statement of income and the related condensed consolidated statement of cash flows for the three and six months ended December 24, 2005, as a result of an independent stock option investigation conducted by a special committee of our board of directors. This restatement is more fully described in Note 2, Restatement of Condensed Consolidated Financial Statements, to our condensed consolidated financial statements in this quarterly report on Form 10-Q and in our

Explanatory Note Regarding Restatement preceding Part I of our annual report on Form 10-K for the year ended June 24, 2006 (the 2006 Form 10-K), as well as in Item 3, Legal Proceedings, Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, and Note 2, Restatement of Consolidated Financial Statements to our consolidated financial statements of our 2006 Form 10-K.

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

	December 23, 2006	June 24, 2006
	(in thousands)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 370,714	\$ 422,333
Short-term investments	945,023	920,317
Total cash, cash equivalents and short-term investments	1,315,737	1,342,650
Accounts receivable, net	277,065	297,285
Inventories	246,861	210,895
Deferred tax assets	227,780	179,294
Other current assets	24,228	21,992
Total current assets	2,091,671	2,052,116
Property, plant and equipment, net	1,304,004	1,164,484
Other assets	87,774	69,937
TOTAL ASSETS	\$ 3,483,449	\$ 3,286,537
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	\$ 101,254	\$ 127,081
Income taxes payable	85,433	84,348
Accrued salary and related expenses	195,594	177,639
Accrued expenses	83,056	84,166
Deferred income on shipments to distributors	21,191	21,127
Total current liabilities	486,528	494,361
Other liabilities	15,423	16,687
Total liabilities	501,951	511,048
Commitments and contingencies (Note 10)		
Stockholders' equity:		
Common stock	321	320
Additional paid-in capital	207,570	22,105
Retained earnings	2,778,973	2,761,183
Accumulated other comprehensive loss	(5,366)	(8,119)
Total stockholders' equity	2,981,498	2,775,489

TOTAL LIABILITIES & STOCKHOLDERS EQUITY	\$ 3,483,449	\$ 3,286,537
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See accompanying Notes to Condensed Consolidated Financial Statements.

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

	Three Months Ended		Six Months Ended	
	December 23, 2006	December 24, 2005 (Restated)	December 23, 2006	December 24, 2005 (Restated)
	(Amounts in thousands, except per share data)			
Net revenues	\$ 497,453	\$ 445,520	\$ 1,000,198	\$ 869,615
Cost of goods sold	189,270	152,315	392,957	294,346
Gross margin	308,183	293,205	607,241	575,269
Operating expenses:				
Research and development	138,344	123,411	351,581	252,873
Selling, general and administrative	42,993	36,851	112,684	74,303
Total operating expenses	181,337	160,262	464,265	327,176
Operating income	126,846	132,943	142,976	248,093
Interest income and other, net	14,767	11,486	28,156	22,521
Income before provision for income taxes and cumulative effect of a change in accounting principle	141,613	144,429	171,132	270,614
Provision for income taxes	44,045	46,758	53,226	87,808
Income before cumulative effect of a change in accounting principle	97,568	97,671	117,906	182,806
Cumulative effect of a change in accounting principle, net of tax of \$1,039				1,643
Net income	\$ 97,568	\$ 97,671	\$ 117,906	\$ 184,449
Earnings per share:				
Basic				
Income before cumulative effect of a change in accounting principle	\$ 0.30	\$ 0.30	\$ 0.37	\$ 0.56
Cumulative effect of a change in accounting principle				0.01
Basic net income per share	\$ 0.30	\$ 0.30	\$ 0.37	\$ 0.57
Diluted				
Income before cumulative effect of a change in accounting principle	\$ 0.30	\$ 0.29	\$ 0.36	\$ 0.53
Cumulative effect of a change in accounting principle				0.01
Diluted net income per share	\$ 0.30	\$ 0.29	\$ 0.36	\$ 0.54
Shares used in the calculation of earnings per share:				
Basic	320,553	323,935	320,317	325,832
Diluted	329,620	338,739	328,862	343,127
Dividends declared per share	\$ 0.156	\$ 0.125	\$ 0.312	\$ 0.225

See accompanying Notes to Condensed Consolidated Financial Statements.

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

	Six Months Ended	
	December 23, 2006	December 24, 2005 (Restated)
	(in thousands)	
Cash flows from operating activities:		
Net income	\$ 117,906	\$ 184,449
Adjustments to reconcile net income to net cash provided by operating activities:		
Stock based compensation	252,058	125,520
Depreciation and amortization	50,236	42,272
Deferred taxes	(70,115)	(29,049)
Tax benefit related to stock based compensation	(3,709)	20,228
Excess tax benefit related to stock based compensation	(8,145)	(25,328)
Changes in assets and liabilities:		
Accounts receivable	20,220	(27,758)
Inventories	(36,979)	(14,556)
Other current assets	(3,340)	(7,449)
Accounts payable	(21,001)	15,408
Income taxes payable	1,085	21,085
Deferred income on shipments to distributors	64	(825)
All other accrued liabilities	2,837	(1,418)
Net cash provided by operating activities	301,117	302,579
Cash flows from investing activities:		
Additions to property, plant and equipment	(194,373)	(51,855)
Proceeds from sale of property, plant, and equipment		1,544
Other non-current assets	(1,491)	(504)
Purchases of available-for-sale securities	(558,656)	(399,107)
Proceeds from sales/maturities of available-for-sale securities	541,250	490,851
Net cash (used in) provided by investing activities	(213,270)	40,929
Cash flows from financing activities:		
Issuance of common stock	25,674	82,775
Cash settlement of vested restricted stock units	(2,254)	
Payouts under the RSU loan program	(10,148)	
Excess tax benefit related to stock-based compensation	8,145	25,328
Repurchase of common stock	(60,767)	(415,912)
Dividends paid	(100,116)	(72,784)
Net cash used in financing activities	(139,466)	(380,593)
Net decrease in cash and cash equivalents	(51,619)	(37,085)
Cash and cash equivalents:		
Beginning of period	422,333	185,551
End of period	\$ 370,714	\$ 148,466