

DSP GROUP INC /DE/  
Form 10-Q  
November 09, 2009  
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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 September 30, 2009

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 0-23006

**DSP GROUP, INC.**

(Exact name of registrant as specified in its charter)

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**Delaware**  
(State or other jurisdiction of  
incorporation or organization)  
**2580 North First Street, Suite 460**  
**San Jose, California**  
(Address of Principal Executive Offices)  
**Registrant's telephone number, including area code: (408) 986-4300**

**94-2683643**  
(I.R.S. employer identification number)  
**95131**  
(Zip 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 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, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer  Non-accelerated filer   
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 November 2, 2009, there were 22,901,051 shares of Common Stock (\$.001 par value per share) outstanding.

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**Table of Contents****PART I. FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****DSP GROUP, INC.****CONDENSED CONSOLIDATED BALANCE SHEETS**

(U.S. dollars in thousands, except share and per share data)

	September 30, 2009 Unaudited	December 31, 2008 Audited
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 37,976	\$ 68,886
Restricted deposit	115	115
Marketable securities and short-term deposits	17,308	12,449
Trade receivables, net	35,920	39,603
Deferred income taxes	243	306
Other accounts receivable and prepaid expenses	14,484	14,607
Inventories	13,000	14,098
Related party receivable		2,760
<b>TOTAL CURRENT ASSETS</b>	<b>119,046</b>	<b>152,824</b>
PROPERTY AND EQUIPMENT, NET	10,883	14,822
<b>LONG-TERM ASSETS:</b>		
Long-term marketable securities and cash deposits	58,436	40,051
Long-term prepaid expenses and lease deposits	1,475	1,331
Deferred income taxes	16	212
Severance pay fund	8,743	7,286
Intangible assets, net	23,568	32,728
	92,238	81,608
<b>TOTAL ASSETS</b>	<b>\$ 222,167</b>	<b>\$ 249,254</b>

Note: The balance sheet at December 31, 2008 has been derived from the audited financial statements on that date.

See notes to condensed consolidated financial statements.

**Table of Contents****DSP GROUP, INC.****CONDENSED CONSOLIDATED BALANCE SHEETS**

(U.S. dollars in thousands, except share and per share data)

	September 30, 2009 Unaudited	December 31, 2008 Audited
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Trade payables	\$ 21,941	\$ 12,721
Accrued compensation and benefits	8,076	11,490
Income tax accruals and payables	3,090	15,878
Accrued expenses and other accounts payable	11,464	12,070
Related party payable		8,306
<b>Total</b> current liabilities	44,571	60,465
<b>LONG-TERM LIABILITIES:</b>		
Accrued severance pay	10,188	8,008
Other long-term liability		455
Accrued pensions	1,744	1,675
Deferred tax liabilities		24
<b>Total</b> long-term liabilities	11,932	10,162
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>STOCKHOLDERS EQUITY:</b>		
Preferred stock, \$ 0.001 par value - Authorized shares: 5,000,000 at September 30, 2009 and December 31, 2008; Issued and outstanding shares: none at September 30, 2009 and December 31, 2008		
Common stock, \$ 0.001 par value - Authorized shares: 50,000,000 at September 30, 2009 and December 31, 2008; Issued and outstanding: 22,901,051 and 26,730,914 shares at September 30, 2009 and December 31, 2008, respectively	23	27
Additional paid-in capital	322,971	314,484
Treasury stock	(123,359)	(107,749)
Accumulated other comprehensive income	2,094	51
Accumulated deficit	(36,065)	(28,186)
<b>Total</b> stockholders equity	165,664	178,627
<b>Total</b> liabilities and stockholders equity	\$ 222,167	\$ 249,254

Note: The balance sheet at December 31, 2008 has been derived from the audited financial statements on that date.

See notes to condensed consolidated financial statements.

**Table of Contents****DSP GROUP, INC.****CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)**

(U.S. dollars in thousands, except share and per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
Revenues	\$ 65,532	\$ 87,368	\$ 157,466	\$ 234,250
Cost of revenues (1) (2)	40,807	54,503	100,251	148,462
Gross profit	24,725	32,865	57,215	85,788
Operating expenses:				
Research and development (3)	15,221	17,908	42,590	56,825
Sales and marketing (4)	4,666	5,483	13,466	17,124
General and administrative (5)	3,655	4,539	11,395	13,336
Intangible assets amortization	3,072	5,702	9,177	17,200
Restructuring costs and other		1,870		1,870
Total operating expenses	26,614	35,502	76,628	106,355
Operating loss	(1,889)	(2,637)	(19,413)	(20,567)
Interest and other income, net	1,113	(185)	2,297	1,948
Loss before taxes on income	(776)	(2,822)	(17,116)	(18,619)
Income tax expenses (benefit) (6)	(7,579)	208	(11,551)	(630)
Net Income (loss)	\$ 6,803	\$ (3,030)	\$ (5,565)	\$ (17,989)
Net earning (loss) per share:				
Basic	\$ 0.30	\$ (0.11)	\$ (0.23)	\$ (0.62)
Diluted	\$ 0.29	\$ (0.11)	\$ (0.23)	\$ (0.62)
Weighted average number of shares used in per share computations of net earning (loss):				
Basic	22,901	27,728	23,906	28,885
Diluted	23,662	27,728	23,906	28,885

- (1) Includes an amount of \$8,013 and \$59,726 with a related party for the nine months ended September 30, 2009 and 2008, respectively; and \$0 and \$19,981 for the three months ended September 30, 2009 and 2008, respectively.
- (2) Includes equity-based compensation expense in the amount of \$211 and \$208 for the three months ended September 30, 2009 and 2008, respectively, and equity-based compensation expense in the amount of \$614 and \$712 for the nine months ended September 30, 2009 and 2008, respectively.
- (3) Includes equity-based compensation expense in the amount of \$1,128 and \$1,641 for the three months ended September 30, 2009 and 2008, respectively, and equity-based compensation expense in the amount of \$4,106 and \$5,624 for the nine months ended September 30, 2009 and 2008, respectively.
- (4)

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- Includes equity-based compensation expense in the amount of \$453 and \$356 for the three months ended September 30, 2009 and 2008, respectively, and equity-based compensation expense in the amount of \$1,379 and \$1,292 for the nine months ended September 30, 2009 and 2008, respectively.
- (5) Includes equity-based compensation expense in the amount of \$845 and \$1,000 for the three months ended September 30, 2009 and 2008, respectively, and equity-based compensation expense in the amount of \$2,384 and \$3,122 for the nine months ended September 30, 2009 and 2008, respectively.
- (6) Includes tax benefit resulting from equity-based compensation expense in the amount of \$0 and \$111 for the three months ended September 30, 2009 and 2008, respectively. For the nine months ended September 30, 2009 and 2008, the figures include tax benefit resulting from equity-based compensation expense in the amount of \$0 and \$360, respectively.

See notes to condensed consolidated financial statements.

**Table of Contents****DSP GROUP, INC.****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)**

(U.S. dollars in thousands)

	<b>Nine Months Ended September 30,</b>	
	<b>2009</b>	<b>2008</b>
<b>Net cash provided by operating activities</b>	\$ 13,930	\$ 8,214
<b>Investing activities</b>		
Purchase of marketable securities and short-term investments	(63,622)	(44,430)
Proceeds from maturity and sale of marketable securities and short-term investments	42,387	83,338
Purchases of property and equipment	(3,557)	(7,955)
Payment of transaction costs related to the acquisition of the cordless and VoIP terminals business of NXP B.V. (1)		(843)
<b>Net cash provided by (used in) investing activities</b>	(24,792)	30,110
<b>Financial activities</b>		
Purchase of treasury stock	(20,028)	(43,710)
Issuance of common stock and treasury stock for cash upon exercise of options		101
<b>Net cash used in financing activities</b>	(20,028)	(43,609)
<b>Decrease in cash and cash equivalents</b>	\$ (30,890)	\$ (5,285)
<b>Cash erosion due to exchange rate differences</b>	(20)	(212)
<b>Cash and cash equivalents at the beginning of the period</b>	\$ 68,886	\$ 69,586
<b>Cash and cash equivalents at the end of the period</b>	\$ 37,976	\$ 64,089

- (1) On September 4, 2007, the Company acquired certain assets and assumed certain liabilities of the cordless and VoIP terminals business of NXP B.V.

See notes to condensed consolidated financial statements.



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**DSP GROUP, INC.**

**CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY**

**(UNAUDITED)**

**(US dollars in thousands)**