

GSI TECHNOLOGY INC  
Form 10-Q  
November 05, 2015  
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 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 001-33387

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GSI Technology, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

77-0398779

(IRS Employer Identification No.)

1213 Elko Drive

Sunnyvale, California 94089

(Address of principal executive offices, zip code)

(408) 331-8800

(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 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 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. (Check one):

Large accelerated filer Accelerated filer

Non-accelerated filer Smaller reporting company

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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  
No

The number of shares of the registrant's common stock outstanding as of October 31, 2015: 22,633,465

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## PART I — FINANCIAL INFORMATION

## Item 1. Financial Statements

## GSI TECHNOLOGY, INC.

## CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

	September 30, 2015	March 31, 2015
	(In thousands, except share and per share amounts)	
<b>ASSETS</b>		
Cash and cash equivalents	\$ 39,421	\$ 36,776
Short-term investments	20,929	22,201
Accounts receivable, net	6,151	8,257
Inventories	8,636	8,412
Prepaid expenses and other current assets	2,431	2,297
Total current assets	77,568	77,943
Property and equipment, net	8,164	8,708
Long-term investments	17,541	21,740
Other assets	434	498
Total assets	\$ 103,707	\$ 108,889
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Accounts payable	\$ 3,739	\$ 2,961
Accrued expenses and other liabilities	3,725	5,937
Deferred revenue	1,855	2,815
Total current liabilities	9,319	11,713
Income taxes payable	798	780

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Total liabilities	10,117	12,493
Commitments and contingencies (Note 6)		
Stockholders' equity:		
Preferred stock: \$0.001 par value authorized: 5,000,000 shares; issued and outstanding: none	—	—
Common Stock: \$0.001 par value authorized: 150,000,000 shares; issued and outstanding: 22,683,866 and 23,128,372 shares, respectively	23	23
Additional paid-in capital	27,882	29,407
Accumulated other comprehensive income	9	26
Retained earnings	65,676	66,940
Total stockholders' equity	93,590	96,396
Total liabilities and stockholders' equity	\$ 103,707	\$ 108,889

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

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GSI TECHNOLOGY, INC.

## CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

	Three Months Ended September 30,		Six Months Ended September 30,	
	2015	2014	2015	2014
	(In thousands, except per share amounts)			
Net revenues	\$ 13,577	\$ 13,263	\$ 27,602	\$ 26,208
Cost of revenues	6,660	7,202	13,390	14,208
Gross profit	6,917	6,061	14,212	12,000
Operating expenses:				
Research and development	2,940	2,946	5,938	6,019
Selling, general and administrative	4,274	4,156	9,579	8,491
Total operating expenses	7,214	7,102	15,517	14,510
Loss from operations	(297)	(1,041)	(1,305)	(2,510)
Interest income, net	71	78	151	174
Other income (expense), net	(92)	34	(56)	9
Loss before income taxes	(318)	(929)	(1,210)	(2,327)
Provision for income taxes	29	21	54	69
Net loss	\$ (347)	\$ (950)	\$ (1,264)	\$ (2,396)
Net loss per share:				
Basic	\$ (0.02)	\$ (0.04)	\$ (0.06)	\$ (0.09)
Diluted	\$ (0.02)	\$ (0.04)	\$ (0.06)	\$ (0.09)
Weighted average shares used in per share calculations:				
Basic	22,676	25,540	22,809	26,512
Diluted	22,676	25,540	22,809	26,512

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





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GSI TECHNOLOGY, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(Unaudited)

	Three Months Ended September 30,		Six Months Ended September 30,	
	2015	2014	2015	2014
	(In thousands)			
Net loss	\$ (347)	\$ (950)	\$ (1,264)	\$ (2,396)
Net unrealized loss on available-for-sale investments, net of tax	(12)	(40)	(17)	(36)
Total comprehensive loss	\$ (359)	\$ (990)	\$ (1,281)	\$ (2,432)

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

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GSI TECHNOLOGY, INC.

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Six Months Ended September 30, 2015	2014
	(In thousands)	
Cash flows from operating activities:		
Net loss	\$ (1,264)	\$ (2,396)
Adjustments to reconcile net loss to net cash used in operating activities:		
Allowance for sales returns, doubtful accounts and other	(3)	(5)
Provision for excess and obsolete inventories	659	622
Depreciation and amortization	651	931
Stock-based compensation	973	1,144
Amortization of bond premium on investments	145	340
Changes in assets and liabilities:		
Accounts receivable	2,109	413
Inventory	(883)	(1,677)
	(152)	(334)

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Prepaid expenses and other assets		
Accounts payable	784	(1,146)
Accrued expenses and other liabilities	(2,194)	(175)
Deferred revenue	(960)	577
Net cash used in operating activities	(135)	(1,706)
Cash flows from investing activities:		
Purchase of investments	(9,026)	(4,000)
Sales and maturities of short-term investments	14,335	24,873
Purchases of property and equipment	(31)	(160)
Net cash provided by investing activities	5,278	20,713
Cash flows from financing activities:		
Repurchase of common stock	(3,074)	(26,430)
Proceeds from issuance of common stock under employee stock plans	576	663
Net cash used in financing activities	(2,498)	(25,767)
Net increase (decrease) in cash and cash equivalents	2,645	(6,760)
Cash and cash equivalents at beginning of the period	36,776	41,520
Cash and cash equivalents at end of the period	\$ 39,421	\$ 34,760
Non-cash financing activities:		
Purchases of property and equipment through accounts payable and accruals	\$ —	\$ 5
Supplemental cash flow information:		
Net cash paid (received) for income taxes	\$ (97)	\$ 52

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



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GSI TECHNOLOGY, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

NOTE 1—THE COMPANY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The accompanying unaudited condensed consolidated financial statements of GSI Technology, Inc. and its subsidiaries (“GSI” or the “Company”) have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) and pursuant to the instructions to Form 10-Q and Article 10 of Regulation S-X of the Securities and Exchange Commission. Accordingly, the interim financial statements do not include all of the information and footnotes required by GAAP for annual financial statements. These interim financial statements contain all adjustments (which consist of only normal, recurring adjustments) that are, in the opinion of management, necessary to state fairly the interim financial information included therein. The Company believes that the disclosures are adequate to make the information not misleading. However, these financial statements should be read in conjunction with the audited consolidated financial statements and related notes thereto included in the Company’s Annual Report on Form 10-K for the fiscal year ended March 31, 2015.

The consolidated results of operations for the three months and six months ended September 30, 2015 are not necessarily indicative of the results to be expected for the entire fiscal year.

Significant accounting policies

The Company’s significant accounting policies are disclosed in the Company’s Annual Report on Form 10-K for the fiscal year ended March 31, 2015.

Litigation and settlement costs

From time to time, the Company is involved in legal actions. See Note 6 for information regarding litigation that was resolved during the six months ended September 30, 2015.

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## Recent accounting pronouncements

In July 2015, the Financial Accounting Standards Board (“FASB”) issued ASU No. 2015-11, "Simplifying the Measurement of Inventory". This standard update intends to simplify the subsequent measurement of inventory, excluding inventory accounted for under the last-in, first-out or the retail inventory methods. The update replaces the current lower of cost or market test with a lower of cost and net realizable value test. Under the current guidance, market could be replacement cost, net realizable value or net realizable value less an approximately normal profit margin. Net realizable value is the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. The update is effective for reporting periods beginning after December 15, 2016, with early adoption permitted. The Company is currently evaluating the impact of this accounting standard on its consolidated financial statements.

In August 2014, the FASB issued new guidance related to the Company’s responsibility to evaluate whether there is substantial doubt about its ability to continue ongoing business operations and to provide relevant footnote disclosures. The new guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2016. Early adoption is permitted. The adoption of this guidance is not expected to have a material impact on the Company’s consolidated financial statements.

In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers." The new accounting standard outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance. The accounting standard is effective for annual reporting periods (including interim reporting periods within those periods) beginning after December 15, 2017. Early adoption is permitted for annual reporting periods (including interim reporting periods within those periods) beginning after December 15, 2016. ASU No. 2014-09 provides for one of two methods of transition: retrospective application to each prior period presented; or, recognition of the cumulative effect of retrospective application of the new standard in the period of initial application. The Company is currently evaluating the impact of this accounting standard on its consolidated financial statements.

## NOTE 2—NET LOSS PER COMMON SHARE

The Company uses the treasury stock method to calculate the weighted average shares used in computing diluted net loss per share. The following table sets forth the computation of basic and diluted net loss per share:

Three Months		Six Months Ended	
Ended September		September 30,	
30,		September 30,	
2015	2014	2015	2014

(In thousands, except per share amounts)