

POWER ONE INC
Form 10-Q
November 07, 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 September 28, 2008

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 0-29454

POWER-ONE, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or Organization)

77-0420182
(I.R.S. Employer Identification Number)

740 Calle Plano, Camarillo, California
(Address of principal executive offices)

93012
(Zip Code)

Registrant's telephone number, including area code: **(805) 987-8741**

Not Applicable

(Former name or former address, if changed since last report)

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 a 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 considered 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 type="radio"/>	Accelerated filer <input checked="" type="radio"/>	Non-accelerated filer <input type="radio"/>	Smaller reporting company <input type="radio"/>
(Do not check if a 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

As of November 5, 2008, 87,798,208 shares of the Registrant's \$0.001 par value common stock were outstanding.

**POWER-ONE, INC.
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PART I FINANCIAL INFORMATION

Item 1 Consolidated Condensed Financial Statements

POWER-ONE, INC.

CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS

(In thousands, except per share data, unaudited)

	Three Months Ended		Nine Months Ended	
	September 28, 2008	September 30, 2007	September 28, 2008	September 30, 2007
NET SALES	\$ 140,056	\$ 131,477	\$ 407,087	\$ 379,269
COST OF GOODS SOLD	110,127	103,926	325,251	302,051
GROSS PROFIT	29,929	27,551	81,836	77,218
EXPENSES:				
Selling, general and administrative	18,203	17,912	57,251	57,357
Engineering and quality assurance	11,157	11,576	34,981	36,689
Amortization of intangible assets	518	1,005	1,926	3,386
Restructuring costs		1,022		3,040
Asset impairment		456		1,190
Total expenses	29,878	31,971	94,158	101,662
INCOME (LOSS) FROM OPERATIONS	51	(4,420)	(12,322)	(24,444)
INTEREST AND OTHER INCOME (EXPENSE):				
Interest income	197	317	580	988
Interest expense	(2,446)	(2,459)	(7,566)	(5,876)
Other income (expense), net	210	1,150	(2,476)	1,982
Total interest and other income (expense), net	(2,039)	(992)	(9,462)	(2,906)
LOSS BEFORE INCOME TAX	(1,988)	(5,412)	(21,784)	(27,350)
PROVISION (BENEFIT) FOR INCOME TAXES	(82)	1,120	(282)	2,568
LOSS BEFORE EQUITY IN EARNINGS OF JOINT VENTURE	(1,906)	(6,532)	(21,502)	(29,918)
EQUITY IN EARNINGS OF JOINT VENTURE, net of tax	205		2,253	
NET LOSS	\$ (1,701)	\$ (6,532)	\$ (19,249)	\$ (29,918)
BASIC AND DILUTED LOSS PER SHARE	\$ (0.02)	\$ (0.07)	\$ (0.22)	\$ (0.34)
BASIC AND DILUTED WEIGHTED AVERAGE SHARES OUTSTANDING	87,770	87,172	87,572	86,961

See notes to consolidated condensed financial statements.

POWER-ONE, INC.

CONSOLIDATED CONDENSED BALANCE SHEETS

(In thousands, except per share data, unaudited)

	September 28, 2008	December 30, 2007
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 39,447	\$ 28,364
Investments		7,477
Accounts receivable:		
Trade, less allowance for doubtful accounts: \$4,809 at September 28, 2008; \$5,454 at December 30, 2007	139,327	129,984
Other	4,209	5,634
Inventories	113,383	105,930
Prepaid expenses and other current assets	11,295	7,487
 Total current assets	 307,661	 284,876
PROPERTY AND EQUIPMENT, net of depreciation and amortization: \$91,357 at September 28, 2008; \$77,750 at December 30, 2007	59,383	62,809
GOODWILL	60,039	59,487
OTHER INTANGIBLE ASSETS, net	21,169	23,261
OTHER ASSETS	7,665	1,163
 TOTAL	 \$ 455,917	 \$ 431,596
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Bank credit facilities and notes payable	\$ 29,176	\$ 21,843
Accounts payable	110,916	107,751
Restructuring reserve	4,105	6,726
Long-term debt, current portion	798	2,338
Other accrued expenses and current liabilities	29,357	24,410
 Total current liabilities	 174,352	 163,068
INDEBTEDNESS TO RELATED PARTIES		50,000
LONG-TERM DEBT, net of current portion	80,442	550
OTHER LIABILITIES	15,021	18,552
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY		
Common stock, par value \$0.001; 300,000 shares authorized; 87,773 and 87,356 shares issued and outstanding at September 28, 2008 and December 30, 2007, respectively	88	87
Additional paid-in capital	617,619	615,040
Accumulated other comprehensive income	43,872	40,527
Accumulated deficit	(475,477)	(456,228)
 Total stockholders' equity	 186,102	 199,426
 TOTAL	 \$ 455,917	 \$ 431,596

See notes to consolidated condensed financial statements.

POWER-ONE, INC.

CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS

(In thousands, unaudited)

	Nine Months Ended	
	September 28, 2008	September 30, 2007
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (19,249)	\$ (29,918)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	14,729	15,475
Undistributed earnings of joint venture	(1,076)	
Asset impairment charge		1,190
Investment write-off	243	
Stock-based compensation	1,939	2,212
Exchange gain (loss)	2,656	(1,743)
Deferred income taxes	(931)	528
Write-off of unamortized debt issue costs	908	
Net gain on sale of available-for-sale investments		(626)
Net loss on disposal of property and equipment	767	41
Changes in operating assets and liabilities:		
Accounts receivable, net	(8,545)	2,703
Inventories	(5,546)	5,760
Prepaid expenses and other current assets	(5,063)	(11)
Accounts payable	816	1,150
Other accrued expenses	4,669	843
Restructuring reserve	(2,672)	(789)
Other liabilities	(1,213)	1,086
Net cash used in operating activities	(17,568)	(2,099)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(115)	(133)
Proceeds from investments	7,590	3,404
Acquisition of property & equipment	(8,224)	(6,720)
Proceeds from sale of property and equipment	15	23
Other assets	25	67
Investment in Power Electronics Group, net of purchase price adjustment		1,386
Net cash used in investing activities	(709)	(1,973)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from (repayments of) borrowings on bank credit facilities, net	7,844	(799)
Repayments of borrowings on notes payable	(249)	(320)
Bank overdraft		(635)
Proceeds from issuance of long-term debt, net of debt issue costs	74,866	
Repayments of borrowings on long-term debt	(2,525)	(1,444)
Repayments of indebtedness to related parties	(50,000)	
Issuance of common stock		625
Net cash provided by (used in) financing activities	29,936	(2,573)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	(576)	1,993

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INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	11,083	(4,652)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	28,364	34,422