

POWER ONE INC
Form 10-Q
November 12, 2010

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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 October 3, 2010

**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 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 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):

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Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(Do not check if a 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

As of November 9, 2010, 106,672,217.00 shares of the Registrant's \$0.001 par value common stock were outstanding.

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Table of Contents**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	
	October 3, 2010	September 27, 2009	October 3, 2010	September 27, 2009
NET SALES	\$ 314,045	\$ 100,129	\$ 680,971	\$ 289,138
COST OF GOODS SOLD	184,936	76,940	426,727	233,943
GROSS PROFIT	129,109	23,189	254,244	55,195
EXPENSES:				
Selling, general and administrative	19,280	14,121	52,479	40,960
Research and development	8,959	7,164	25,905	21,906
Amortization of intangible assets	360	385	1,093	1,159
Restructuring costs		655	3,443	5,668
Asset impairment			409	
Goodwill impairment				56,999
Total expenses	28,599	22,325	83,329	126,692
INCOME (LOSS) FROM OPERATIONS	100,510	864	170,915	(71,497)
INTEREST AND OTHER INCOME (EXPENSE):				
Interest income	50		76	222
Interest expense	(1,249)	(2,178)	(5,284)	(6,514)
Gain (loss) on extinguishment of debt		160	(5,658)	8,608
Other income (expense), net	(2,954)	528	(1,432)	376
Total interest and other income (expense), net	(4,153)	(1,490)	(12,298)	2,692
INCOME (LOSS) BEFORE INCOME TAXES	96,357	(626)	158,617	(68,805)
PROVISION FOR INCOME TAXES	33,079	1,510	66,037	1,104
INCOME (LOSS) BEFORE EQUITY IN EARNINGS OF JOINT VENTURE	63,278	(2,136)	92,580	(69,909)
EQUITY IN EARNINGS OF JOINT VENTURE	441	104	902	379
NET INCOME (LOSS)	\$ 63,719	\$ (2,032)	\$ 93,482	\$ (69,530)
PREFERRED STOCK DIVIDEND AND ACCRETION	859	844	2,565	1,350
NET INCOME (LOSS) ATTRIBUTABLE TO COMMON STOCKHOLDERS	\$ 62,860	\$ (2,876)	\$ 90,917	\$ (70,880)
BASIC EARNINGS (LOSS) PER SHARE	\$ 0.53	\$ (0.03)	\$ 0.84	\$ (0.81)

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DILUTED EARNINGS (LOSS) PER SHARE	\$ 0.40	\$ (0.03)	\$ 0.61	\$ (0.81)
BASIC WEIGHTED AVERAGE SHARES OUTSTANDING	102,061	88,134	92,938	88,001
DILUTED WEIGHTED AVERAGE SHARES OUTSTANDING	144,193	88,134	142,034	88,001

See notes to unaudited consolidated condensed financial statements.

Table of Contents**POWER-ONE, INC.****CONSOLIDATED CONDENSED BALANCE SHEETS****(In thousands, except per share data, unaudited)**

	October 3, 2010	January 3, 2010
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 194,589	\$ 89,553
Accounts receivable:		
Trade, less allowance for doubtful accounts: \$4,052 at October 3, 2010; \$3,946 at January 3, 2010	205,976	119,783
Other	5,035	2,763
Inventories	125,701	73,173
Prepaid expenses and other current assets	17,335	10,612
Total current assets	548,636	295,884
PROPERTY AND EQUIPMENT, net of depreciation and amortization: \$85,193 at October 3, 2010; \$88,218 at January 3, 2010	56,539	48,906
INTANGIBLE ASSETS, net	17,052	18,602
OTHER ASSETS	6,931	7,943
TOTAL	\$ 629,158	\$ 371,335
LIABILITIES, PREFERRED STOCK AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Bank credit facilities and notes payable	\$	\$ 504
Accounts payable	187,559	89,074
Restructuring reserve	829	6,866
Long-term debt, current portion	1,288	1,269
Other accrued expenses	107,518	38,080
Total current liabilities	297,194	135,793
LONG-TERM DEBT, net of current portion	38,387	78,146
OTHER LIABILITIES	36,470	16,281
Total liabilities	372,051	230,220
COMMITMENTS AND CONTINGENCIES		
REDEEMABLE CONVERTIBLE PREFERRED STOCK par value \$0.001; 23.625 series A redeemable convertible preferred stock issued and outstanding at October 3, 2010 and January 3, 2010; liquidation preference \$1,000 per share plus accumulated dividends.	19,326	18,533
STOCKHOLDERS' EQUITY		
Common stock, par value \$0.001; 300,000 shares authorized; 103,924 and 88,239 shares issued and outstanding at October 3, 2010 and January 3, 2010, respectively	104	88
Additional paid-in capital	634,746	620,261
Accumulated other comprehensive income	46,483	39,267
Accumulated deficit	(443,552)	(537,034)
Total stockholders' equity	237,781	122,582
TOTAL	\$ 629,158	\$ 371,335

See notes to unaudited consolidated condensed financial statements.

Table of Contents**POWER-ONE, INC.****CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS****(In thousands, unaudited)**

	Nine Months Ended	
	October 3, 2010	September 27, 2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	\$ 93,482	\$ (69,530)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	11,821	12,488
Undistributed earnings of joint venture	(902)	(379)
Goodwill impairment		56,999
Asset impairment	409	
Change in fair value of derivative liability	(624)	(290)
Stock compensation	3,566	1,449
Foreign exchange (gain) loss	2,231	(5,654)
Deferred income taxes	2,207	(2,968)
Net (gain) loss on debt extinguishment	5,658	(8,608)
Net loss on disposal of property and equipment	108	18
Changes in operating assets and liabilities:		
Accounts receivable, net	(87,416)	41,586
Inventories	(51,163)	25,949
Prepaid expenses and other current assets	(6,827)	685
Accounts payable	94,724	(32,275)
Other accrued expenses	13,873	3,218
Restructuring reserve	(6,037)	1,734
Income taxes payable	55,913	3,753
Other liabilities	16,108	(1,270)
Net cash provided by operating activities	147,131	26,905

CASH FLOWS FROM INVESTING ACTIVITIES: