

NETLOGIC MICROSYSTEMS INC
Form 424B3
March 22, 2006
Table of Contents

Filed Pursuant to Rule 424(b)(3)

Registration No. 333-132181

PROSPECTUS

1,984,095 Shares

Common Stock

NetLogic Microsystems, Inc.

1875 Charleston Road

Mountain View, CA 94043

(650) 961-6676

This prospectus relates to the public offering, which is not being underwritten, of up to 1,984,095 shares of our common stock under this prospectus by the selling stockholder identified in this prospectus. The selling stockholder may sell these shares from time to time on or off the Nasdaq National Market in regular brokerage transactions, in transactions directly with market makers or in privately negotiated transactions. For additional information on the methods of sale that may be used by the selling stockholder, see the section entitled "Plan of Distribution" beginning on page 2. We will not receive any of the proceeds from the sale of these shares. We will bear the costs relating to the registration of these shares. The shares were or will be issued to the selling security holder in a transaction exempt from registration under the Securities Act of 1933, as amended (the "Securities Act" or the "Securities Act of 1933").

Our common stock is listed on the Nasdaq National Market under the symbol "NETL". On March 20, 2006, the last sale price of our common stock was \$35.87 per share.

INVESTING IN THE COMMON STOCK INVOLVES RISKS.

SEE RISK FACTORS ON PAGE 1.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved the shares of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

The date of this prospectus is March 21, 2006.

Table of Contents

Table of Contents

| | Page |
|--|-------------|
| <u>Our Company</u> | 1 |
| <u>Risk Factors</u> | 1 |
| <u>Use of Proceeds</u> | 1 |
| <u>Selling Security Holder</u> | 2 |
| <u>Plan of Distribution</u> | 2 |
| <u>Legal Matters</u> | 4 |
| <u>Experts</u> | 4 |
| <u>Where You Can Find More Information</u> | 4 |
| <u>Incorporation by Reference</u> | 4 |

In this prospectus, NetLogic, we, us, and our refer to NetLogic Microsystems, Inc.

You should rely only on information contained or incorporated by reference in this prospectus. We have not authorized any person to provide you with information that differs from what is contained or incorporated by reference in this prospectus. If any person does provide you with information that differs from what is contained or incorporated by reference in this prospectus, you should not rely on it. This prospectus is not an offer to sell or the solicitation of an offer to buy any securities other than the securities to which it relates, or an offer of solicitation in any jurisdiction where offers or sales are not permitted. The information contained in this prospectus is accurate only as of the date of this prospectus, even though this prospectus may be delivered or shares may be sold under this prospectus on a later date.

Special Note Regarding Forward-Looking Statements

Some of the statements in this prospectus constitute forward-looking statements. These statements involve known and unknown risks, uncertainties, and other factors that may cause our or our industry's actual results, levels of activity, performance, or achievements to be materially different from any future results, levels of activity, performance, or achievements expressed or implied by such forward-looking statements. These factors include, among others, those incorporated by reference under **Risk Factors** below.

In some cases, you can identify forward-looking statements by terms such as may, will, should, expects, plans, anticipates, believes, predicts, potential, or continue or similar terms.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance, or achievements. Our actual results could differ materially from those expressed or implied by these forward-looking statements as a result of various factors, including the risk factors incorporated by reference under the heading **Risk Factors** below and a variety of other factors, including, without limitation, customer acceptance and demand for our products, the volume of sales to our principal product customers, manufacturing yields for our products, the timing of manufacture and delivery of product by our foundry suppliers, the length of our sales cycles, our average selling prices, the strength of the OEM networking equipment market and the cyclical nature of that market and the semiconductor industry, and the effects of any acquisitions we make, including the recent acquisition of Cypress Semiconductor Corporation's network search engine product lines.

Moreover, neither we nor any other person assumes responsibility for the accuracy and completeness of these statements. We undertake no obligation to update or revise any of the forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law. In light of these risks, uncertainties and assumptions, the forward-looking events discussed or incorporated by reference in this prospectus may not occur.

Table of Contents

Our Company

We are a semiconductor company that designs, develops and markets high performance knowledge-based processors for a variety of advanced Internet, corporate and other networking systems, such as routers, switches, network security appliances, network access equipment and networked storage devices. Knowledge-based processors are integrated circuits that employ an advanced processor architecture and a large knowledge database containing information on the network, as well as applications and content that run on the network to make complex decisions about individual packets of information traveling through the network. Our knowledge-based processors significantly enhance the ability of networking original equipment manufacturers, or OEMs, to supply network service providers with systems offering more advanced functionality for the Internet, such as voice transmission over the Internet, or VoIP, unified threat management, or UTM, virtual private networks, or VPNs, and streaming video and audio.

Our knowledge-based processors incorporate advanced technologies that enable rapid processing, such as a superscalar architecture, which uses parallel-processing techniques, and deep pipelining, which segments processing tasks into smaller sub-tasks, for higher decision throughput. These technologies enable networking systems to perform a broad range of network-aware and content-aware processing functions, such as application-based routing, UTM network security, intrusion detection and prevention, virus inspection, access control for network security, prioritization of traffic flow to maintain quality of service, or QoS, and statistical measurement of Internet traffic for transaction billing.

We design our products at the transistor level and use a full-custom layout flow to define how circuits are constructed in silicon. This allows us to optimize circuit design, minimize chip size and reduce power dissipation of our integrated circuits. By minimizing chip size, we are able to optimize the cost of our knowledge-based processors and facilitate the design of our customers' products within smaller enclosures, or form factors.

We provide complete, systems-level solutions that include interface designs and firmware, device driver, packet-processing and knowledge database management application software, design tools and environments and reference designs. By providing a comprehensive systems-level solution, we help networking OEMs reliably introduce next generation networking systems and significantly enhance their time-to-market. These systems-level solutions are provided free-of-charge to our OEM customers to encourage sales of our products.

We organized our business in 1995 as a California limited liability company and incorporated in Delaware in 2000. Our principal executive offices are located at 1875 Charleston Road, Mountain View, CA 94043. Our telephone number at that address is (650) 961-6676.

Risk Factors

An investment in our common stock is risky. Prior to making a decision about investing in our common stock, you should carefully consider the specific risks discussed under "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2005, filed on February 28, 2006, and in our other filings with the Securities and Exchange Commission (the "SEC" or the "Commission"), which are incorporated by reference in this prospectus, together with all of the other information contained in this prospectus, any applicable prospectus supplement, or otherwise incorporated by reference in this prospectus. The risks and uncertainties described in our SEC filings are not the only ones facing us. Additional risks and uncertainties not presently known to us, or that we currently see as immaterial, may also harm our business. If any of the risks or uncertainties described in the applicable prospectus supplement or our SEC filings or any such additional risks and uncertainties actually occur, our business, results of operations, cash flows and financial condition could be materially and adversely affected. In that case, the trading price of our common stock could decline, and you might lose all or part of your investment.

Use of Proceeds

We will not receive any proceeds from the sale of the common stock by the selling stockholder. All net proceeds from the sale of the common stock covered by this prospectus will go to the selling stockholder. See "Selling Security Holder" and "Plan of Distribution" described below.

Table of Contents**Selling Security Holder**

The following table sets forth the number of shares of our common stock that the selling stockholder owns or has the right to acquire as of February 24, 2006. The selling stockholder has not had a material relationship with us within the past three years other than as described below or as a result of the ownership of common stock or other securities of ours. The shares of common stock offered by this prospectus may be offered from time to time by the selling stockholder named below. The selling stockholder may also sell, transfer or otherwise dispose of all or a portion of their shares of common stock in transactions exempt from the registration requirements of the Securities Act. We may from time to time include additional selling stockholders in supplements or amendments to this prospectus.

| Name | Shares Owned Before Offering | Percent Owned Before Offering(1) | Shares Being Offered | Shares Owned Upon Completion Of Offering | Percent Owned After Offering(1) |
|-----------------------------------|------------------------------|----------------------------------|----------------------|--|---------------------------------|
| Cypress Semiconductor Corporation | 1,488,063 | 7.56% | 1,984,095(2) | 0 | 0 |

- (1) The percentage of ownership of common stock is based on 19,690,075 shares of common stock outstanding as of February 24, 2006 and excludes all shares of common stock issuable upon the exercise of outstanding options or warrants to purchase common stock.
- (2) As part of the acquisition of certain assets from Cypress Semiconductor Corporation (Cypress) contemplated by the Agreement for the Purchase and Sale of Assets, dated January 25, 2006, as amended by that certain Amendment No. 1 to Agreement for the Purchase and Sale of Assets, dated February 15, 2006, by and between us and Cypress, we issued to Cypress 1,488,063 shares of common stock at the closing of the acquisition on February 15, 2006. Pursuant to such agreement, we have agreed to issue to Cypress an additional 165,344 shares of common stock upon Cypress furnishing to us certain financial statements within 60 days after the closing date. In addition, under the terms of the Agreement for the Purchase and Sale of Assets, we have agreed to issue to Cypress up to 330,688 additional shares of common stock if, during either the four consecutive fiscal quarters following the closing or the 12-month period beginning on the first business day following the closing, our gross revenue from the acquired products is at least \$17,820,000, with the exact number of shares to be issued to be adjusted proportionately if revenues from the acquired products are between \$17,820,000 and \$19,440,000. The shares being offered are the sum of all three of these share amounts. Cypress does not own any options or warrants for our common stock.

Plan of Distribution

The selling stockholder and any of its pledgees, donees, transferees, assignees and successors-in-interest may, from time to time, sell any or all of their shares of common stock on any stock exchange, market or trading facility on which our common stock is traded or in private transactions. These sales may be at fixed or negotiated prices. The selling stockholder may use any one or more of the following methods when selling shares of NetLogic common stock:

ordinary brokerage transactions and transactions in which the broker-dealer solicits purchasers;

block trades in which the broker-dealer will attempt to sell the shares as agent but may position and resell a portion of the block as principal to facilitate the transaction;

purchases by a broker-dealer as principal and resale by the broker-dealer for its account;

Table of Contents

an exchange distribution in accordance with the rules of the applicable exchange;

privately negotiated transactions;

broker-dealers may agree with the selling stockholder to sell a specified number of such shares at a stipulated price per share;

through options;

by pledge to secure debts and other obligations;

to cover short sales made pursuant to this prospectus;

a combination of any such methods of sale; or

any other method permitted pursuant to applicable law.

Broker-dealers engaged by the selling stockholder may arrange for other brokers-dealers to participate in sales. Broker-dealers may receive commissions or discounts from the selling stockholder (or, if any broker-dealer acts as agent for the purchaser of shares, from the purchaser) in amounts to be negotiated. The selling stockholder does not expect these commissions and discounts to exceed what is customary in the types of transactions involved.

The selling stockholder may from time to time pledge or grant a security interest in some or all of the shares owned by them and, if they default in the performance of their secured obligations, the pledgees or secured parties may offer and sell shares of common stock from time to time under this prospectus, or under an amendment to this prospectus under Rule 424(b)(3) or other applicable provision of the Securities Act amending the selling security holder list to include the pledgee, transferee or other successors in interest as selling stockholder under this prospectus.

The selling stockholder also may transfer the shares of common stock in other circumstances, in which case the transferees, pledgees or other successors in interest will be the selling beneficial owners for purposes of this prospectus. This prospectus may also be used by transferees of the selling stockholder, including broker-dealers or other transferees who borrow or purchase the shares to settle or close out short sales of shares of common stock. The selling stockholder will act independently of us in making decisions with respect to the timing, manner, and size of each sale or non-sale related transfer.

The selling stockholder may enter into hedging transactions with broker-dealers in connection with distributions of the shares or otherwise. In such transactions, broker-dealers or other financial institutions may engage in short sales of the shares in the course of hedging the positions they assume with the selling stockholder. The selling stockholder may also sell shares short and deliver the shares to close out such short positions. The selling stockholder may also enter into option or other transactions with broker-dealers, which require the delivery to the broker-dealer of the shares. The broker-dealer may then resell or otherwise transfer such shares pursuant to this prospectus. The selling stockholder may also pledge or loan the shares to a broker-dealer. The broker-dealer may sell the shares so loaned, or upon a default, the broker-dealer may sell the pledged shares pursuant to this prospectus. In addition, any shares that qualify for sale pursuant to Rule 144 may be sold under Rule 144 rather than pursuant to this prospectus.

The selling stockholder and any broker-dealers or agents that are involved in selling the shares of common stock may be deemed to be underwriters within the meaning of the Securities Act in connection with such sales. In such event, any commissions received by such broker-dealers or agents and any profit on the resale of the shares purchased by them may be deemed to be underwriting commissions or discounts under the Securities Act. Discounts, concessions, commissions and similar selling expenses, if any, attributable to the sale of shares will be borne by the selling stockholder.

Table of Contents

We are required to pay all fees and expenses incident to the registration of the shares of common stock, but we will not receive any proceeds from the sale of the common stock. Pursuant to the Registration Rights Agreement, dated February 15, 2006, by and between us and Cypress, we have agreed to indemnify the selling stockholder against certain losses, claims, damages and liabilities, including liabilities under the Securities Act.

Legal Matters

The validity of the issuance of shares of common stock offered hereby will be passed upon for us by Bingham McCutchen LLP, East Palo Alto, California.

Experts

The financial statements and management's assessment of the effectiveness of internal controls over financial reporting (which is included in Management's Report on Internal Control over Financial Reporting) incorporated in this prospectus by reference to the Annual Report on Form 10-K for the year ended December 31, 2005 have been so incorporated in reliance on the report of PricewaterhouseCoopers LLP, an independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.

Where You Can Find More Information

We file annual, quarterly and special reports and other information with the SEC. In addition, we have filed with the SEC a Registration Statement on Form S-3, of which this prospectus is a part, under the Securities Act, with respect to the shares of common stock offered hereby. You may read and copy any document that we file with the SEC at its Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the Public Reference Room. Our SEC filings are also available to you free of charge at the SEC's web site at <http://www.sec.gov>, which contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC.

Our common stock is traded on the Nasdaq National Market. Material filed by us can be inspected at the offices of the National Association of Securities Dealers, Inc., Reports Section, 1735 K Street, N.W., Washington, D.C. 20006.

Incorporation by Reference

The SEC allows us to incorporate by reference the information we file with them, which means that we can disclose important information by referring you to those documents. The information incorporated by reference is considered to be part of this prospectus, and information that we file later with the SEC will automatically update and supersede this information. We incorporate by reference the documents listed below:

- (a) the section entitled "Description of Capital Stock" in the Prospectus contained in our Registration Statement on Form S-1 (File No. 333-114549) as originally filed with the Securities and Exchange Commission on April 16, 2004 and as subsequently amended;
- (b) our Annual Report on Form 10-K for the fiscal year ended December 31, 2005 filed with the SEC on February 28, 2006; and
- (c) our Current Reports on Form 8-K filed with the SEC on January 24, 2006, January 31, 2006 and February 22, 2006.

In addition, all documents filed by us with the SEC pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended (the Exchange Act or Securities Exchange Act of 1934) subsequent to the date of this prospectus and prior to the filing of a post-effective amendment to the registration statement containing this prospectus, which indicates that all securities offered have been sold or which deregisters all of such securities then remaining unsold, shall be deemed to be incorporated by reference in this prospectus and to be a part hereof from the respective dates of filing of such documents.

Table of Contents

You may request a copy of these filings, at no cost, by writing or telephoning us at the following address or telephone number:

NetLogic Microsystems, Inc.

1875 Charleston Road

Mountain View, CA 94043

(650) 961-6676

Attention: Senior Director of Legal Affairs and IP Management and Secretary

In addition, you may obtain a copy of these filings from the SEC as described above in the section entitled "Where You Can Find More Information."