

MICROCHIP TECHNOLOGY INC

Form 10-Q

February 05, 2016

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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 December 31, 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: 0-21184

MICROCHIP TECHNOLOGY INCORPORATED  
(Exact Name of Registrant as Specified in Its Charter)

Delaware  
(State or Other Jurisdiction of Incorporation or  
Organization)

86-0629024  
(IRS Employer Identification No.)

2355 W. Chandler Blvd., Chandler, AZ 85224-6199  
(480) 792-7200  
(Address, Including Zip Code, and Telephone Number,  
Including Area Code, of Registrant's  
Principal Executive Offices)

Indicate by checkmark 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 the 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

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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:

|                         |                                     |                           |                          |
|-------------------------|-------------------------------------|---------------------------|--------------------------|
| Large accelerated filer | <input checked="" type="checkbox"/> | Accelerated filer         | <input type="checkbox"/> |
| Non-accelerated filer   | <input type="checkbox"/>            | Smaller reporting company | <input type="checkbox"/> |

(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). (Check One)

Yes  No

Shares Outstanding of Registrant's Common Stock

|                                 |                                 |
|---------------------------------|---------------------------------|
| Class                           | Outstanding at January 27, 2016 |
| Common Stock, \$0.001 par value | 203,501,011 shares              |

MICROCHIP TECHNOLOGY INCORPORATED AND SUBSIDIARIES

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## MICROCHIP TECHNOLOGY INCORPORATED AND SUBSIDIARIES

## CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands, except share and per share amounts)

(unaudited)

## Item 1. Financial Statements

| ASSETS  | December 31,<br>2015 | March 31,<br>2015 |
|---|----------------------|-------------------|
| Cash and cash equivalents   | \$331,451            | \$607,815         |
| Short-term investments  | 676,449              | 1,351,054         |
| Accounts receivable, net  | 248,006              | 273,937           |
| Inventories   | 319,524              | 279,456           |
| Prepaid expenses  | 36,488               | 34,717            |
| Deferred tax assets   | —                    | 71,045            |
| Assets held for sale  | —                    | 13,989            |
| Other current assets  | 20,803               | 32,604            |
| Total current assets  | 1,632,721            | 2,664,617         |
| Property, plant and equipment, net  | 622,842              | 581,572           |
| Long-term investments   | 1,389,989            | 383,326           |
| Goodwill  | 1,011,227            | 571,271           |
| Intangible assets, net  | 654,574              | 504,417           |
| Long-term deferred tax assets   | 18,910               | —                 |
| Other assets  | 116,290              | 75,510            |
| Total assets  | \$5,446,553          | \$4,780,713       |
| <b>LIABILITIES AND EQUITY</b>   |                      |                   |
| Accounts payable  | \$69,059             | \$86,866          |
| Accrued liabilities   | 111,273              | 100,978           |
| Deferred income on shipments to distributors  | 163,582              | 166,128           |
| Total current liabilities   | 343,914              | 353,972           |
| Long-term line of credit  | 1,008,452            | 461,952           |
| Senior convertible debentures   | 1,203,048            | 1,174,036         |
| Junior convertible debentures   | 194,974              | 190,870           |
| Long-term income tax payable  | 106,081              | 114,336           |
| Long-term deferred tax liability  | 422,667              | 381,192           |
| Other long-term liabilities   | 41,073               | 43,329            |
| Stockholders' equity:   |                      |                   |
| Preferred stock, \$0.001 par value; authorized 5,000,000 shares; no shares issued or outstanding  | —                    | —                 |
| Common stock, \$0.001 par value; authorized 450,000,000 shares; 227,416,789 shares issued and 203,498,524 shares outstanding at December 31, 2015; 218,789,994 shares issued and 202,080,306 shares outstanding at March 31, 2015 | 203                  | 202               |
| Additional paid-in capital  | 1,385,815            | 999,515           |
| Common stock held in treasury: 23,918,265 shares at December 31, 2015; 16,709,688 shares at March 31, 2015  | (837,387)            | (515,679)         |
| Accumulated other comprehensive (loss) income   | (10,665)             | 11,076            |
| Retained earnings   | 1,588,378            | 1,549,540         |

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|   |             |             |
|---|-------------|-------------|
| Microchip Technology stockholders' equity                             | 2,126,344   | 2,044,654   |
| Noncontrolling interests  | —           | 16,372      |
| Total equity  | 2,126,344   | 2,061,026   |
| Total liabilities and equity  | \$5,446,553 | \$4,780,713 |
| See accompanying notes to condensed consolidated financial statements |             |             |

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CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(in thousands, except per share amounts)

(unaudited)

|  | Three Months Ended |           | Nine Months Ended |             |
|--|--------------------|-----------|-------------------|-------------|
|  | December 31,       |           | December 31,      |             |
|  | 2015               | 2014      | 2015              | 2014        |
| Net sales                                  | \$540,344          | \$528,710 | \$1,615,687       | \$1,603,829 |
| Cost of sales (1)                          | 247,626            | 226,751   | 713,002           | 687,897     |
| Gross profit                               | 292,718            | 301,959   | 902,685           | 915,932     |
| Research and development (1)               | 97,022             | 88,697    | 276,958           | 261,881     |
| Selling, general and administrative (1)    | 76,270             | 66,668    | 223,377           | 207,037     |
| Amortization of acquired intangible assets | 48,312             | 47,582    | 126,764           | 129,659     |