

LATTICE SEMICONDUCTOR CORP

Form 10-Q

November 05, 2014

Table of Contents

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 27, 2014

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 000-18032

LATTICE SEMICONDUCTOR CORPORATION

(Exact name of Registrant as specified in its charter)

State of Delaware

(State or other jurisdiction of incorporation or  
organization)

93-0835214

(I.R.S. Employer Identification No.)

5555 N.E. Moore Court, Hillsboro, Oregon

(Address of principal executive offices)

(503) 268-8000

(Registrant's telephone number, including area code)

97124-6421

(Zip 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 (§232.405 of this chapter) during the preceding 12 months (or for such shorter period as 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

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

Number of shares of common stock outstanding as of October 31, 2014

118,228,881

Table of Contents

LATTICE SEMICONDUCTOR CORPORATION  
INDEX

PART I. FINANCIAL INFORMATION

Item 1.	<u>Financial Statements (unaudited)</u>	<u>4</u>
	<u>Consolidated Statements of Operations – Three and Nine Months Ended September 27, 2014 and September 28, 2013</u>	<u>4</u>
	<u>Consolidated Statements of Comprehensive Income – Three and Nine Months Ended September 27, 2014 and September 28, 2013</u>	<u>5</u>
	<u>Consolidated Balance Sheets - September 27, 2014 and December 28, 2013</u>	<u>6</u>
	<u>Consolidated Statements of Cash Flows – Nine Months Ended September 27, 2014 and September 28, 2013</u>	<u>7</u>
	<u>Notes to Consolidated Financial Statements</u>	<u>8</u>
Item 2.	<u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>17</u>
Item 3.	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>27</u>
Item 4.	<u>Controls and Procedures</u>	<u>27</u>

PART II. OTHER INFORMATION

Item 1.	<u>Legal Proceedings</u>	<u>28</u>
Item 1A.	<u>Risk Factors</u>	<u>28</u>
Item 2.	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>37</u>
Item 5.	<u>Other Information</u>	<u>37</u>
Item 6.	<u>Exhibits</u>	<u>38</u>
	<u>Signatures</u>	<u>39</u>

Table of Contents

Forward-Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Any statements about our expectations, beliefs, plans, objectives, assumptions or future events or performance are not historical facts and may be forward-looking. We use words or phrases such as “anticipates,” “believes,” “could,” “estimates,” “expects,” “intends,” “plans,” “predicts,” “projects,” “may,” “will,” “should,” “continue,” “ongoing,” “future,” “potential” and phrases to identify forward-looking statements. Examples of forward-looking statements include, but are not limited to, statements about: our strategies and beliefs regarding the markets we serve or may serve; growth opportunities and growth in markets we may serve; a significant portion of our revenue being through our sell-through distributors; the impact of our global tax structure and expectations regarding taxes and tax adjustments; our expectations that a significant portion of our revenue will continue to be dependent on the Consumer, Communications and Industrial end markets; our expectations regarding gross margin; our expectations regarding customer preferences and product use; our future product development and marketing plans; our ability to maintain or develop successful foundry relationships to produce new products; our expectations regarding amortization of intangible assets; our expectations regarding our stock repurchase program; the anticipation that revenue from mature products will decline; the adequacy of assembly and test capacity commitments; our making significant future investments in research and development; our beliefs concerning the adequacy of our liquidity and facilities, the possibility that we may obtain financing, and our ability to meet our operating and capital requirements and obligations.

Forward-looking statements involve estimates, assumptions, risks and uncertainties that could cause actual results to differ materially from those expressed in the forward-looking statements. The key factors that could cause our actual results to differ materially from the forward-looking statements include global economic conditions and uncertainty, the concentration of our sales in the Consumer and Communications end market, particularly as it relates to the concentration of our sales in the Asia Pacific region, market acceptance and demand for our new products, any disruption of our distribution channels, unexpected charges, delays or results relating to our restructuring plans, the effect of the downturn in the economy on capital markets and credit markets, the impact of competitive products and pricing, unanticipated taxation requirements, or positions of the U.S. Internal Revenue Service, unexpected impacts of recent accounting guidance and the other risks that are described herein and that are otherwise described from time to time in our filings with the Securities and Exchange Commission, including, but not limited to, the items discussed in “Risk Factors” in Item 1A of Part II of this Report. You should not unduly rely on forward-looking statements because our actual results could differ materially from those expressed in any forward-looking statements made by us. In addition, any forward-looking statement applies only as of the date on which it is made. We do not plan to, and undertake no obligation to, update any forward-looking statements to reflect events or circumstances that occur after the date on which such statements are made or to reflect the occurrence of unanticipated events.

Table of Contents

## PART I. FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

LATTICE SEMICONDUCTOR CORPORATION  
CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share data)

(unaudited)

	Three Months Ended		Nine Months Ended	
	September 27, 2014	September 28, 2013	September 27, 2014	September 28, 2013
Revenue	\$86,570	\$87,154	\$282,527	\$243,006
Costs and expenses:				
Cost of products sold	35,759	40,778	122,603	113,365
Research and development	22,053	20,254	65,594	58,635
Selling, general and administrative	17,645	16,385	55,226	49,955
Amortization of intangible assets	737	737	2,211	2,223
Restructuring charges	2	85	16	257
	76,196	78,239	245,650	224,435
Income from operations	10,374	8,915	36,877	18,571
Other income, net	53	346	1,268	240
Income before income taxes	10,427	9,261	38,145	18,811
Provision for income taxes	1,021	417	4,984	3,037
Net income	\$9,406	\$8,844	\$33,161	\$15,774
Net income per share:				
Basic	\$0.08	\$0.08	\$0.28	\$0.14
Diluted	\$0.08	\$0.08	\$0.28	\$0.13
Shares used in per share calculations:				
Basic	118,643	116,055	117,661	115,730
Diluted	120,970	117,349	120,449	117,093

See Accompanying Notes to Unaudited Consolidated Financial Statements.

Table of Contents

LATTICE SEMICONDUCTOR CORPORATION  
 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
 (In thousands, except per share data)  
 (unaudited)

	Three Months Ended		Nine Months Ended	
	September 27, 2014	September 28, 2013	September 27, 2014	September 28, 2013
Comprehensive income:				
Net income	\$9,406	\$8,844	\$33,161	\$15,774
Other comprehensive income:				