

M/A-COM Technology Solutions Holdings, Inc.

Form 10-Q

May 03, 2013

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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 March 29, 2013

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: 001-35451

M/A-COM Technology Solutions Holdings, Inc.

(Exact name of registrant as specified in its charter)

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Delaware
(State or other jurisdiction of
incorporation or organization)

27-0306875
(I.R.S. Employer
Identification No.)

100 Chelmsford Street
Lowell, MA 01851
(Address of principal executive offices and zip code)

(978) 656-2500
(Registrant's telephone number, including area code)

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 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 Website, 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 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 Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company) 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 April 22, 2013, there were 46,044,585 shares of the registrant's common stock outstanding.

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M/A-COM TECHNOLOGY SOLUTIONS HOLDINGS, INC.

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Table of Contents**PART I FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****M/A-COM TECHNOLOGY SOLUTIONS HOLDINGS, INC.****CONDENSED CONSOLIDATED BALANCE SHEETS****(In thousands)****(Unaudited)**

	March 29, 2013	September 28, 2012
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 103,329	\$ 84,528
Accounts receivable, net	49,646	54,184
Inventories	57,202	57,459
Income taxes receivable	3,869	4,939
Prepaid expenses and other current assets	4,957	3,660
Deferred income taxes	8,264	8,264
Total current assets	227,267	213,034
Property and equipment, net	29,539	30,209
Goodwill	3,990	3,990
Intangible assets, net	17,198	18,776
Other assets	1,738	2,064
TOTAL ASSETS	\$ 279,732	\$ 268,073
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	\$ 24,803	\$ 26,958
Accrued liabilities	12,424	13,867
Income taxes payable	651	330
Deferred revenue	7,574	7,992
Current portion of contingent consideration		6,580
Total current liabilities	45,452	55,727
Common stock warrant liability	10,656	7,561
Other long-term liabilities	801	1,236
Deferred income taxes	4,091	4,091
Total liabilities	61,000	68,615
Commitments and contingencies (Note 9)		
Stockholders' equity:		
Preferred stock		
Common stock	46	45
Additional paid-in capital	353,259	347,971
Treasury stock	(762)	(685)

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Accumulated deficit	(133,542)	(147,736)
Accumulated other comprehensive loss	(269)	(137)
Total stockholders' equity	218,732	199,458
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 279,732	\$ 268,073

See notes to condensed consolidated financial statements.

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	Three Months Ended		Six Months Ended	
	March 29, 2013	March 30, 2012	March 29, 2013	March 30, 2012
Revenue	\$ 77,824	\$ 77,480	\$ 152,838	\$ 150,515
Cost of revenue	43,963	40,931	86,712	82,551
Gross profit	33,861	36,549	66,126	67,964
Operating expenses:				
Research and development	10,150	8,773	19,973	18,664
Selling, general and administrative	12,705	11,040	23,572	22,318
Accretion of contingent consideration	(405)	(1,247)	(577)	(1,078)
Restructuring charges				1,586
Total operating expenses	22,450	18,566	42,968	41,490
Income from operations	11,411	17,983	23,158	26,474
Other income (expense)				
Accretion of common stock warrant liability	(1,069)	(7,447)	(3,095)	(5,989)
Accretion of Class B conversion liability		(57,739)		(44,119)
Interest expense	(200)	(203)	(426)	(384)
Other income - related party	86		170	
Total other income (expense)	(1,183)	(65,389)	(3,351)	(50,492)
Income (loss) before income taxes	10,228	(47,406)	19,807	(24,018)
Income tax provision	2,142	6,155	5,613	7,501
Net income (loss)	8,086	(53,561)	14,194	(31,519)
Accretion of redeemable preferred stock and participating stock dividends		(1,201)		(2,616)
Net income (loss) attributable to common stockholders	\$ 8,086	\$ (54,762)	\$ 14,194	\$ (34,135)
Net income (loss) per share:				
Basic	\$ 0.18	\$ (8.02)	\$ 0.31	\$ (7.93)
Diluted	\$ 0.17	\$ (8.02)	\$ 0.30	\$ (7.93)
Shares used to compute net income (loss) per common share:				
Basic	45,789	6,829	45,649	4,306
Diluted	47,168	6,829	46,986	4,306

See notes to condensed consolidated financial statements.

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M/A-COM TECHNOLOGY SOLUTIONS HOLDINGS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands)

(Unaudited)

	Three Months Ended		Six Months Ended	
	March 29,	March 30,	March 29,	March 30,
	2013	2012	2013	2012
Net income (loss)	\$ 8,086	\$ (53,561)	\$ 14,194	\$ (31,519)
Foreign currency translation gain (loss)	(125)	49	(132)	16
Total comprehensive income (loss)	\$ 7,961	\$ (53,512)	\$ 14,062	\$ (31,503)

See notes to condensed consolidated financial statements.

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M/A-COM TECHNOLOGY SOLUTIONS HOLDINGS, INC.

CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS EQUITY

(In thousands)

(Unaudited)

	Common Stock		Treasury Stock		Accumulated Other Comprehensive Loss	Additional Paid-in Capital	Accumulated Deficit	Total Stockholders Equity
	Shares	Amount	Shares	Amount				
Balance at September 28, 2012	45,452	\$ 45	43	\$ (685)	\$ (137)	\$ 347,971	\$ (147,736)	\$ 199,458
Issuance of common stock upon exercise of common stock options and employee stock purchases	381	1				1,030		1,031
Vesting of restricted common stock and units	167							
Repurchase of common stock			6	(77)				(77)
Share-based and other incentive compensation						2,946		2,946
Excess tax benefits						1,312		1,312
Foreign currency translation					(132)			(132)
Net income							14,194	14,194
Balance at March 29, 2013	46,000	\$ 46	49	\$ (762)	\$ (269)	\$ 353,259	\$ (133,542)	\$ 218,732

See notes to condensed consolidated financial statements.

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	Six Months Ended	
	March 29, 2013	March 30, 2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	\$ 14,194	\$ (31,519)
Adjustments to reconcile net income to net cash from operating activities:		
Accretion of common stock warrant liability	3,095	5,989
Accretion of Class B conversion liability		44,119
Accretion of asset retirement obligations	32	38
Depreciation and amortization	6,943	5,623
Accretion of contingent consideration	(577)	(1,078)
Amortization of acquired unfavorable lease	(189)	(108)
Deferred income taxes		(1,828)
Loss on disposal of property and equipment	8	28
Share-based and other non-cash incentive compensation	2,946	996
Change in operating assets and liabilities:		
Payment of contingent consideration	(5,328)	
Accounts receivable	4,538	(2,277)
Inventories	257	2,692
Prepaid expenses and other assets	(1,018)	(457)
Accounts payable	(2,648)	2,110
Accrued and other liabilities	(1,189)	(292)
Income taxes	1,391	(716)
Deferred revenue	(418)	(5,162)
Net cash from operating activities	22,037	18,158
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(4,697)	(9,665)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Financing and offering costs	(126)	(2,146)
Proceeds from stock option exercises and employee stock purchases	1,031	104
Excess tax benefits	1,312	
Repurchase of common stock	(77)	(330)
Payments of contingent consideration	(675)	(15,000)
Payment of dividends		(204)
Payments to former Mimix Holdings, Inc. stockholders	(4)	(17)
Proceeds from initial public offering, net of underwriters' discount		98,175
Payment of Class B preference		(60,000)
Net cash from financing activities	1,461	20,582
NET CHANGE IN CASH AND CASH EQUIVALENTS	18,801	29,075
CASH AND CASH EQUIVALENTS Beginning of period	84,528	45,668

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CASH AND CASH EQUIVALENTS	End of period	\$ 103,329	\$ 74,743
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:			
Cash paid for interest		\$ 235	\$ 100
Cash paid for income taxes		\$ 3,381	\$ 9,731

See notes to condensed consolidated financial statements.

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Description of Business M/A-COM Technology Solutions Holdings, Inc. (M/A-COM or the Company) was incorporated in Delaware on March 25, 2009. M/A-COM is a provider of high-performance analog semiconductor solutions for use in wireless and wireline applications across the radio frequency (RF), microwave and millimeterwave spectrum. Headquartered in Lowell, Massachusetts, M/A-COM has offices in North America, Europe, Asia and Australia.

The Company has one reportable operating segment which designs, develops, manufactures and markets semiconductors and modules.

Basis of Presentation The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (GAAP) and applicable rules and regulations of the Securities and Exchange Commission (SEC) regarding interim financial reporting. Certain information and note disclosures normally included in the financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. Therefore, these condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes included in the Company's Annual Report on Form 10-K for the fiscal year ended September 28, 2012 filed with the SEC on November 28, 2012. The Company completed its initial public offering (IPO) in March 2012.

The Company's fiscal year ends on the Friday closest to the last day of September. For fiscal years in which there are 53 weeks, the fourth quarter reporting period includes 14 weeks. Fiscal years 2012 and 2013 are 52 weeks in length.

In the opinion of management, the accompanying unaudited condensed consolidated financial statements reflect all normal recurring adjustments necessary to present fairly the financial position, results of operations, and cash flows for the interim periods, but are not necessarily indicative of the results of operations to be anticipated for the full fiscal year 2013. The condensed consolidated financial statements include the Company and its wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated.

Use of Estimates The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities during the reporting periods, the reported amounts of revenue and expenses during the reporting periods, and the disclosure of contingent assets and liabilities at the date of the financial statements. On an ongoing basis, the Company bases estimates and assumptions on historical experience, currently available information and various other factors that management believes to be reasonable under the circumstances. Actual results may differ materially from these estimates and assumptions. The accounting policies which our management believes involve the most significant application of judgment, or involve complex estimation include revenue recognition, inventory, warranty obligations, share-based compensation, income taxes and fair value measurements related to contingent consideration liabilities, common stock warrant liabilities and, through the completion of the IPO in March 2012, Class B conversion liabilities. Actual results could differ from those estimates, and material effects on our operating results and financial position may result.

Recent Accounting Standards Under the Jumpstart Our Business Startups Act (JOBS Act), the Company meets the definition of an emerging growth company. The Company has elected to avail itself of the extended transition period for complying with new or revised accounting standards pursuant to Section 107(b) of the JOBS Act.

2. FINANCIAL INSTRUMENTS

Financial liabilities measured at fair value on a recurring basis consist of the following (in thousands):

Fair Value	March 29, 2013		
	Active Markets for	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)

		Identical Assets (Level 1)		
Common stock warrant liability	\$ 10,656	\$	\$	\$ 10,656

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	September 28, 2012			
	Active Markets for			
	Fair Value	Identical Assets (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Contingent consideration	\$ 6,580	\$	\$	\$ 6,580
Common stock warrant liability	\$ 7,561	\$	\$	\$ 7,561

The changes in financial liabilities with inputs classified within Level 3 of the fair value hierarchy consist of the following (in thousands):

	Three Months Ended March 29, 2013					
	Net Realized/ Unrealized Losses (Gains)					
	Included	Purchases and Issuances	Sales and Settlements	Transfers in and/or (out) of Level 3		March 29, 2013
	December 28, 2012	in Earnings	and Issuances	and Settlements	of Level 3	March 29, 2013
Contingent consideration	\$ 405	\$ (405)	\$	\$	\$	\$
Common stock warrant liability	\$ 9,587	\$ 1,069	\$	\$	\$	\$ 10,656

	Three Months Ended March 30, 2012					
	Net Realized/ Unrealized Losses (Gains)					
	Included	Purchases and Issuances	Sales and Settlements	Transfers in and/or (out) of Level 3		March 30, 2012
	December 30, 2011	in Earnings	and Issuances	Sales and Settlements	of Level 3	March 30, 2012
Contingent consideration	\$ 10,671	\$ (1,247)	\$	\$	\$	\$ 9,424
Common stock warrant liability	\$ 9,278	\$ 7,447	\$	\$	\$	\$ 16,725
Class B conversion liability	\$ 67,758	\$ 57,739	\$	\$ (125,497)	\$	\$

	Six Months Ended March 29, 2013					
	Net Realized/ Unrealized Losses (Gains)					
	Included	Purchases and Issuances	Sales and Settlements	Transfers in and/or (out) of Level 3		March 29, 2013
	September 28, 2012	in Earnings	and Issuances	Sales and Settlements	of Level 3	March 29, 2013
Contingent consideration	\$ 6,580	\$ (577)	\$	\$ (6,003)	\$	\$

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Common stock warrant liability	\$ 7,561	\$ 3,095	\$	\$	\$	\$ 10,656
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